

Unclassified

English - Or. English

18 May 2026

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

**Summary of Discussion on the Roundtable on Balancing Prudential Regulation and
Competition Considerations in Banking**

Annex to the Summary Record of the 147th meeting of the Competition Committee

5 December 2025

This document prepared by the OECD Secretariat is a detailed Summary of Discussion of the Roundtable on Balancing Prudential Regulation and Competition Considerations in Banking, held by the Competition Committee on 5 December 2025. It presents a factual summary of the views expressed by speakers and delegations that intervened during the discussion.

More documents related to this discussion can be found at:
<https://www.oecd.org/en/events/2025/12/balancing-prudential-regulation-and-competition-considerations-in-banking.html>

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JT03587127

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Opening and framing of the roundtable

The **Chair**, Benoît Cœuré, opened the session by situating it as the second discussion in a broader series on competition and financial services, following an earlier discussion on competition in mobile payments and with the possibility of a future discussion on capital markets. He framed the relationship between prudential regulators and competition enforcers as historically “complex,” reflecting different mandates and instincts: prudential authorities prioritise stability, while competition authorities prioritise contestability, innovation, and market dynamics. He suggested that recent developments have partially aligned the two communities’ objectives, citing the increasing importance of “too big to fail” (which competition enforcers can readily interpret through concentration and market power lenses) and the entry of big tech into financial services (which draws interest from both prudential and competition perspectives). He previewed the session’s three-part structure: first, the relationship between prudential regulation and competition policy; second, competition challenges arising within prudential regulation; and third, opportunities for balance and complementarities.

Director **Carmine De Noia** underscored that the interaction between prudential and competition objectives is being actively discussed in international settings, referencing discussion within the Financial Stability Board plenary. He welcomed the presence of colleagues from the Committee on Financial Markets and emphasised that the cross-community attendance was valuable precisely because the topic sits at the intersection of mandates and institutional cultures. His brief remarks reinforced that this is not a theoretical issue but an active policy problem that multiple jurisdictions and international bodies are confronting.

Secretariat presentation: the policy problem, key tensions, and pathways to balance

The **Secretariat** introduced the background framework by explaining why prudential regulation exists and why banking markets are uniquely vulnerable. The presentation highlighted three structural vulnerabilities: coordination failures from maturity transformation (short-term savings funding long-term lending), asymmetric information that makes risk and loan quality hard to assess (contributing to sudden loss of confidence and non-performing loans), and interconnectedness that transmits shocks across institutions and markets. From this perspective, prudential rules, especially licensing and capital requirements, are described as indispensable to maintain confidence, reduce the probability of failure, and sustain credit and savings intermediation during stress. At the same time, the Secretariat stressed that these rules shape market structure because they influence entry, expansion, and the viability of business models.

A central concept in the Secretariat’s account was the “in-or-out” dilemma of the prudential perimeter. Bringing firms “in” can stabilise the system but raises barriers to entry and expansion; leaving firms “out” can intensify competition but may create stability risks, particularly if the firms become large, interconnected, or systemically relevant. This dilemma was presented as reflecting different mandates and different perceptions of risk, which can intensify during stress periods when stabilisation motives become more urgent.

Despite this tension, the Secretariat argued that prudential regulation and competition can be mutually reinforcing when balanced. Prudential rules that improve governance and reporting can reduce information asymmetries, which in turn supports effective competition. Competition can support prudential objectives by improving the quality of institutions, reducing reliance on a small number of systemically important firms, and enabling the exit of inefficient institutions rather than allowing weak providers to persist. The Secretariat emphasised that the key is calibration: understanding when rules become bottlenecks to contestability and adjusting design to avoid long-term distortions.

The Secretariat then flagged four practical areas where balance is difficult. First, capital requirements are necessary to absorb losses but act as a “price tag” for entry and expansion, and may burden smaller firms if overly high, complex, or unevenly calibrated, potentially entrenching incumbents. Second, the scope of permissible activities matters because digitisation has changed service delivery even while concentration may persist; calibrated frameworks can create entry pathways without undermining stability, including, in exceptional jurisdictions, allowing certain non-bank financial intermediaries to take term deposits (presented as potentially less risky than demand deposits because funds are contractually locked in). Third, partnerships between banks and non-bank entrants can bring efficiencies but may raise both competition concerns (entrenching incumbents, weakening rivalry, enabling tying/bundling, steering innovation along incumbent-preferred paths) and prudential concerns (blurring the regulatory perimeter and complicating supervision). The Secretariat linked this to the possibility that overly burdensome prudential requirements can push entrants into partnership models instead of independent rivalry. Fourth, crisis periods can prompt authorities to support stabilising mergers and consolidation, but crisis-driven state support and mergers can reshape markets for decades, reduce competition, and create perverse incentives; reliance on “white knights” can shift systemic risks forward by making future rescues more complex.

Finally, the Secretariat presented four opportunity areas: more dynamic and proportionate licensing/capital/activity frameworks (including scalable licensing, risk-based capital, digital-only licences, and periodic review), credible exit mechanisms (living wills, bail-ins, orderly wind-down tools), effective merger control (warning that relaxing merger control or lowering the bar for failing-firm defences can magnify too-big-to-fail dynamics), and cooperation through MoUs, joint task forces, data sharing, sandboxes, and joint market studies to detect emerging trade-offs early. The Secretariat closed by stating that the objective is not choosing stability or competition, but calibrating prudential tools so they support both.

Part I: Relationship between prudential regulation and competition policy — academic framing and measurement challenges

Introducing the first part, the Chair turned to **Professor Elena Carletti** to provide the overarching framework. She explained prudential regulation through banks’ balance sheets: banks are inherently unstable because of risk-taking on the asset side (lending) and the special fragility of the liability side (demandable deposits). She stressed that systemic consequences are the reason regulators care so much about bank instability, because bank failures can become systemic and drive large declines in economic activity. She framed financial stability as the immediate objective of prudential regulation but emphasised it is not the ultimate objective; it is a means to support lending and economic growth. She referenced standard regulatory toolkits, distinguishing micro tools focused on individual institutions from macro tools focused on system-wide stability, and cited the empirical literature as broadly supportive of prudential regulation improving stability and showing that better-capitalised banks can provide more lending during crises. She also noted

transitional deleveraging effects when capital requirements rise, as banks often adjust by shrinking the denominator of capital ratios (reducing lending), but she described the evidence as suggesting that this deleveraging should be temporary once new levels are reached.

On competition's effect on stability, Professor Elena Carletti presented two competing views. The first, which she described as historically influential, is the "competition-fragility" view: more competition lowers margins and can induce banks to take more risk to restore profitability; competition can also raise deposit rates, which can affect risk incentives. The second view sees competition as potentially stabilising, because lower lending rates increase borrower margins, enabling borrowers to exert more effort and undertake better projects, reducing credit risk in banks' portfolios. She also linked stability concerns to market structure and too-big-to-fail dynamics, noting that large banks can take more risk when they are perceived as protected. She characterised the empirical evidence as mixed, with results depending on samples, timeframes, and measurement choices, and she suggested a pragmatic conclusion that competition may benefit stability if it is not excessive, using an "inverted U" framing (which the Chair later described as a "Goldilocks approach").

A key contribution by Professor Elena Carletti was her warning about measurement. She stated that concentration measures such as HHI and concentration ratios are not reliable proxies for competition in banking, noting research showing that more concentrated banking sectors can be more competitive and vice versa. She discussed alternative conduct-based measures (price-cost margins, revenue elasticity) as academically useful but difficult to apply in practice because they require information that is often unavailable. She proposed that contestability—captured through ease of entry, foreign presence, and the nature of formal and informal entry barriers, including those imposed by regulation—can be a more practical focus for competition authorities. She also cautioned that banking firms are multi-product and operate in multiple markets, while competition analysis often requires product- and geography-specific market definitions; she argued digitisation blurs geographic boundaries, complicating conventional local/regional market definitions.

Turning to how prudential regulation affects competition, Professor Elena Carletti reiterated that licensing and capital requirements raise barriers to entry. She also emphasised public support and too-big-to-fail as distortions that can slow innovation and, importantly, impede exit, making it hard for inefficient firms to leave the market. She suggested improving proportionality not only at entry but throughout the life cycle of an institution, strengthening resolution regimes, and embedding competition considerations into prudential regulation—pointing to mechanisms such as cooperation tools and, as an example, jurisdictions where prudential authorities have competition or competitiveness objectives.

On institutional interaction, she highlighted merger control as the recurring flashpoint. She described heterogeneity in governance models: in some countries prudential and competition authorities share responsibility; in others prudential authorities may override competition authorities on public interest or stability grounds; and in some systems governments arbitrate. She cited examples including Lloyd's HBOS in the UK and the UBS and Credit Suisse transaction in Switzerland. She concluded that banks should not be excluded from competition assessment, but banking competition is different and requires adapted approaches, especially given current fintech-driven changes. She ended with a caution about regulatory cycles, noting trends toward deregulation in multiple jurisdictions and warning that history shows cycles of tightening after crises and relaxation later, which may precede the next crisis.

When invited to react, **Professor Xavier Vives** emphasised deposit insurance as a critical mechanism that can amplify risk-taking if not risk-based priced, noting that most insurance mechanisms are not properly risk-priced. He added that the most careful way to measure competition empirically would be building structural models and simulating competition dynamics, but he stressed that such approaches require substantial time, money, and data. He also returned to the regulatory cycle theme, asking why systems repeatedly regulate, deregulate, and then confront crises again, and he suggested both “second-best” complications (fixing one market failure without addressing related failures can worsen outcomes) and political economy constraints as explanations. He then signaled he would later discuss developments in the US as an example of political economy pressures.

In her brief early intervention, **Ms Fernanda Garibaldi** highlighted the need to look more closely at macro-prudential regulation in digital markets, tying the regulatory cycle discussion to how digitalisation may change systemic risk and oversight priorities.

Director Carmine De Noia added three “elephants in the room.” First, he reinforced the deposit insurance point by arguing that mispriced insurance not only enables free-riding on debt but also creates a competition issue: deposit insurance can make deposit rate competition distort allocation versus alternatives such as mutual funds, because insured depositors may chase higher rates with less discipline. Second, he highlighted institutional design questions, including the relationship between central banks and banking supervision, and suggested that institutional structure affects pricing outcomes in loan and deposit markets. Third, he emphasised political and geopolitical dimensions, including foreign direct investment screening mechanisms that can limit competition and raise definitional questions about what counts as “foreign,” and even what counts as a “bank.”

Country and stakeholder interventions (Part I), and Professor Elena Carletti’s response on “how” to operationalise balance

Several delegations presented national experiences, with a recurring focus on competition advocacy, entry conditions, and coordination mechanisms between competition authorities and prudential regulators.

Ireland described a 2022 review of retail banking prompted by branch closures and exits (including Ulster Bank and Belgian-owned KVC), which left only two full-service retail banks. The competition authority’s submission expressed concern about rising concentration and the effects of high post-2008 capital requirements on lending and investment. Ireland described recommendations that included adding competition objectives to the central bank’s mandate, creating a regulatory sandbox to complement an innovation hub, reviewing credit union regulation to broaden product offerings, and evaluating bank switching rules. Ireland reported that findings published by the Ministry took forward many recommendations, and noted that legislation enacted in 2025 requires the central bank to conduct and publish cost–benefit analyses of proposed business standards and regulations, including assessment of consumer and competition impacts. Ireland also described strengthened coordination between the competition authority and the central bank, intended to support information exchange on market functioning, consumer protection, and competition.

Portugal aligned with the background note and described long-standing advocacy for competition policy as a complement to prudential rules, with a particular focus on too-big-to-fail. Portugal referenced recommendations in 2021 and 2022 on the legal and regulatory framework for financial and credit institutions, including concerns about provisions that treated some concerted practices as consistent with competition law and measures that allowed mergers within resolution mechanisms without prior competition authority

approval. Portugal emphasised the importance of preserving notification duties even for transfers to transitional institutions and asset management vehicles in resolution contexts. Portugal also referenced a 2018 fintech issues paper that addressed competition–stability interactions and sought to demystify views portraying competition as an obstacle to stability, and it noted a more recent public consultation on banking that remained ongoing.

Türkiye presented its experience via a sector inquiry into financial services and fintech in payments, describing how prior antitrust investigations and exemption cases built expertise on banking regulation and market dynamics. Turkey argued for “asymmetrical and risk-based regulation” with differentiated and gradual obligations, particularly when comparing incumbents and fintechs, and emphasised the importance of entry and access to essential infrastructure for market dynamism, contestability, and innovation. Turkey also described regular communication with the central bank, banking supervisory authority, capital markets board, and treasury as part of competition advocacy.

Israel described the 2024 Committee (Inter-Ministerial Committee to examine measures to increase competition in retail banking) established by the Minister of Finance and the Governor of the Bank of Israel, including financial regulators and the competition authority. Israel argued that inter-ministerial committees can integrate competitive analysis early in policy-making and create consensus that helps withstand stakeholder pressure. Israel framed the 2024 committee as continuing a pattern of decade-spaced reforms, referencing the Bachar Committee (2005) and the Strum Committee (2015). Israel noted that monitoring after the Strum reforms found improved competition for large-business credit but not for household credit, which helped motivate the 2024 committee’s focus on consumer credit competition.

Saudi Arabia argued that stability and competition should be seen as jointly necessary conditions for banking systems that support economic growth, rather than as a simple trade-off. It reiterated maturity mismatch, interconnectedness, and informational opacity as rationales for prudential regulation and cautioned that while high prudential standards protect stability, they can raise entry barriers, and crisis-time interventions can reduce long-run competition. Saudi Arabia referenced global Basel-based differentiation (higher capital for global systemic banks than domestic ones) as a design approach that can support competition by allowing domestic banks to compete on better terms.

Chinese Taipei asked Professor Elena Carletti to elaborate on practical indicia for assessing contestability in financial markets, given the complexity of regulatory environments.

Australia described a joint review conducted by the ACCC, the Australian prudential regulator, the financial markets regulator, and the central bank, prompted by pressures on small and medium-sized banks from digital platforms, digital wallets, and incumbent dominance by four large banks. Australia reported that the process required agencies to test competition and stability issues together and involved a candid question for the treasurer about tolerance for a potentially higher risk of failure as a trade-off for greater competition. Australia described outcomes including a consultation on additional proportionality and a new third tier for capital requirements (reducing burdens for the smallest banks, moderate requirements for mid-tier banks, and higher requirements for the largest systemic banks), streamlined provisions for NBFIs, and an “open door” approach for exemptions enabling small and medium banks to collaborate on back-office and technology investment.

BIAC emphasised that prudential safeguards can create obstacles to competition if overly burdensome, and argued for close dialogue between competition and prudential authorities and layered proportionality (simpler rules for smaller, less complex institutions and stricter rules for systemically important ones). BIAC also raised behavioural economics as relevant

to remedy design, highlighting customer inertia and limited switching even when switching systems are improved, such as a “seven-day switching system,” and suggesting behavioural insights may help assess whether remedies address underlying frictions.

When Professor Elena Carletti returned to respond, she highlighted that many interventions advocated for “more competition in prudential regulation,” but the unresolved question is the mechanism: whether prudential authorities should adopt competition objectives, whether competition authorities should have more direct influence in regulation-making, or whether inter-committee and third-party arrangements work better. She emphasised that regardless of institutional arrangement, the key remains how objectives are balanced, and that balance can be dynamic (varying in crises versus normal times). She also added nuance on big banks: while too-big-to-fail creates distortions, big banks can have benefits such as supporting national competitiveness, being better organised (including risk management), and being subject to more supervision; she argued that dismantling big banks is not a solution, and instead the challenge is managing too-big-to-fail as a non-price insurance mechanism and addressing exit difficulties not only from size but also from interlinkages (she referenced the Silicon Valley Bank case as illustrating interconnection concerns). In response on contestability, she clarified that contestability is essentially about ease of entry, reflected in the presence of foreign banks or NBFIs and the way prudential rules create or reduce barriers. The Chair added an additional point that diversification and portfolio pooling can be arguments for large banks, alongside access to client data for credit management.

Part II: Competition challenges in prudential regulation — fintech, data, privacy, and “quadrilemma” tensions

In the second part, **Professor Xavier Vives** positioned his remarks as building on the earlier panorama and concentrating on digital technology, fintech, and lending. He introduced the idea that fintech’s promised efficiency benefits come with concerns about stability, inclusion, privacy, and welfare implications, and he described the empirical evidence as mixed (for example, some papers find fintech loans default more, others less, others similarly). He argued that information technology sharpens existing trade-offs and creates new ones, illustrating this through a triangle framing of privacy, efficiency, and stability, while noting that regulators and market actors may have divergent preferences on transparency and data access, including for supervision, judicial purposes, and anti-money laundering.

Returning to competition–stability issues, Professor Xavier Vives reiterated that if market failures (asymmetric information and externalities) could be eliminated, more competition would clearly be beneficial, but the difficulty is that regulation is hard to do well. He argued that improving regulation can improve the trade-offs, giving the example of making deposit insurance more risk-based. He also gave examples of tension, including instances in Portugal and Spain where prudential authorities introduced caps on deposit rates to prevent weak institutions protected by deposit insurance from destabilising the system through aggressive rate competition. He revisited resolution and consolidation, highlighting the UBS/Credit Suisse case and noting tensions about capital requirements: higher capital can increase stability but may affect international competitiveness. He also warned that reducing regulatory burdens for small banks must be handled carefully, referencing the US savings and loans crisis and the idea that exempting certain banks from liquidity requirements can be harmful, while still maintaining that simpler regulation for smaller institutions can be appropriate if designed carefully. He observed that liberalisation measures that increase competitive pressure may require enhanced capital, and he noted a point of alignment in the EU where state aid control can be used to limit competition

damage from rescue measures—contrasting this with the US, which lacks equivalent competition authority control over state aid.

He then focused on fintech entry and market dynamics, presenting a series of factors shaping welfare effects: whether technology reduces “distance frictions” between lender and borrower (physical distance and distance in expertise), how borrower moral hazard and incentive frictions evolve, the ability of lenders to price discriminate, bank concentration, the efficiency gap between fintech and banks (screening/monitoring/convenience), the intensity of inter-fintech competition, the size of unbanked populations, and scope relationships between lending and payment services. He noted that fintechs and banks differ due to regulation, liability structures, funding costs, data endowments (banks often have more data; fintechs may be better at processing), the role of relationship lending and soft information, and technological monitoring capabilities. He also remarked that with generative AI, expertise constraints may change and affect competition. He highlighted “portfolio effects” for big tech platforms, where lending may be subsidised by cross-selling and broader ecosystem benefits.

He provided an example from the US mortgage market after the 2008–2009 crisis, describing how increased regulatory requirements led banks to lend less, creating space for shadow banks and fintechs to gain market share, with an implicit subsidy mechanism through government-sponsored enterprises that absorbed loans. The policy lesson he drew was that analysis must account for the full regulatory “bundle” and implicit insurance mechanisms. He also discussed price discrimination as a competitive tool that may or may not be welfare enhancing, and suggested that allowing banks to discriminate when fintechs can discriminate may improve welfare in certain settings, particularly where inter-fintech competition is limited and efficient fintechs might otherwise capture “monopoly pockets.” On data sharing and open banking, he flagged potential uneven playing fields if banks must share data with platforms without reciprocal obligations, and he emphasised the importance of sufficient competition among data recipients. He concluded by arguing for “levelling the playing field” on issues such as price discrimination and data access, but stressed the practical difficulty of achieving an “optimal” degree of competition and the prudential limits on how level the field can be. He framed the enduring debate as activity-based versus entity-based regulation, stating that “what fails is the entity,” even if risks attach to activities, and he expanded his earlier triangle to a “pyramid” or “quadrilemma” adding security/strategic-industry concerns on top of privacy, stability, and efficiency.

Following Professor Xavier Vives, delegations presented experiences illustrating how prudential reforms can affect lending, entry, and innovation.

Latvia described major post-2018 reforms after the failure of ABLV Bank and enhanced follow-up related to AML/CFT issues, noting that reforms restored credibility and alignment with international standards but contributed to conservative lending, particularly for SMEs. Latvia also referenced measures supporting competition and innovation, including implementation of the EU Payment Services Directive, crowdfunding regulation, and a national regulatory sandbox. Latvia noted barriers to customer mobility and refinancing, and expressed concerns about a 2024 “solidarity contribution” on bank interest income aimed at supporting national defence and encouraging lending, raising questions about competition effects.

Paraguay described an enforcement case involving a credit card processing company owned by 19 banks, sanctioned for abuse of dominance, which led to a recommendation to the central bank for interoperability regulation. Paraguay reported that this ultimately triggered the adoption of a national payment system law, with the central bank president explicitly linking the law to the competition authority’s resolution, and described this as an example of enforcement catalysing regulatory reform.

Japan discussed cases in non-life insurance, describing coordination of premiums for corporate non-life insurance revealed since 2023, enforcement by the competition authority including cease-and-desist and surcharge payment orders totalling approximately 2 billion yen against four major insurers, and the role of co-insurance arrangements that can facilitate information access and coordination. Japan described the financial regulator’s supervisory responses under sector-specific law (business improvement orders) and argued that sector-law measures alongside competition enforcement can be effective in improving competitive environments and preventing recurrence.

Romania described a banking market where seven systemic banks hold about 85% of the market and argued for a proportionate, technologically neutral framework. Romania highlighted that limited access to payment infrastructure can be a barrier for fintech entrants that must rely on bilateral agreements with banks, and it noted rural infrastructure gaps that create entry barriers. Romania also flagged regulatory asymmetries between banks and NBFIs that may enable arbitrage and mentioned issues in credit scoring where inquiries through an NBFIs may reduce scores more than bank inquiries. Romania referenced recommendations from a sectoral investigation, including adoption of a common API approach and reforms to prevent multiple inquiries from unduly affecting credit scores.

In reacting, **Professor Xavier Vives** added a broader observation about the increasing tendency toward ex ante regulation rather than relying solely on ex post competition enforcement. He gave examples such as an ATM cartel case in Greece where a settlement remedy involved regulatory caps on interchange rates, and a Spanish case involving the proposed takeover of Banco Sabadel by BBVA where competition issues were addressed via temporary regulation. He suggested this trend raises questions about the appropriate institutional roles and the balance between regulatory intervention and competition control.

The **Chair** then discussed poll results, which were displayed for voting to those attending the discussion in the room and online. On the first poll, he reported that 74% of respondents indicated prudential regulations were “occasionally” or “frequently” a bottleneck, with the combined figure around 75%. On the second poll, he reported that 43% said merger or enforcement decisions “occasionally” involved financial stability justifications, 24% said “frequently,” and 33% said “no,” implying about 67% had experienced such justifications at least occasionally. He framed these as strikingly high shares and relevant evidence of how often prudential-competition interaction becomes salient in practice.

Part III: Opportunities to balance and complementarities

Opening the third part, the Chair, gave the floor to **Ms Fernanda Garibaldi**, who introduced herself as executive director of Zetta, a Brazilian association of fintechs and digital banks, and as a lawyer and academic specialising in competition and financial markets. She described Zetta as founded by Nubank and Mercado Pago and focused on promoting debate on competition in Brazil and Latin America. She then explained Brazil’s regulatory blueprint, emphasising that the Brazilian central bank and the competition authority have complementary responsibilities in the financial sector, supported by an older national financial system law and, critically for fintechs, the Brazilian payment law that created payment institutions and payment schemes/arrangements. She stated that a large share of fintechs operate as payment institutions and argued that since the payment law’s enactment, regulator data show increased competition, reduced concentration, and accelerated innovation, including fintech and digital wallet expansion that supported adoption of Pix. She cited regulator evidence that new entrants reduced fees, bank concentration decreased by about 10% between 2012 and 2022, and access expanded dramatically, with tens of millions of Brazilians gaining access to banking services in that period and broad engagement with the national financial system by 2025. She also

referenced regulator data that some major digital banks had relatively few consumer complaints even with large customer bases.

She attributed Brazil's competition outcomes largely to risk-based regulation: lower-risk activities face lower regulatory burdens, with tailored licensing and thresholds that determine when payment institutions enter the prudential perimeter. She noted that prudential capital requirements were harmonised for certain payment institutions in 2022, with categorisation into multiple tiers aligned with global frameworks such as Basel. She then described emerging challenges: recent fraud cases involving fintechs and investment funds, and a broader set of "externalities" beyond classic financial stability, including financial crime, money laundering, fake accounts, fintech failures, data security incidents, and cyber risks. She also emphasised macro-prudential challenges arising from interconnection across payments, credit, crypto, and insurance, arguing that market interconnection is a central challenge for macro-prudential design. She described recent measures by the Brazilian central bank to raise capital requirements and adjust schedules for payment institutions entering the regulatory perimeter, and she framed the regulator's objective as minimising regulatory arbitrage between banks and fintechs while preserving innovation and strengthening governance, monitoring, and auditing for integration into critical systems like Pix and open finance. She characterised this as a shift from entity-based supervision toward activity-based regulation and ended by stressing that prudential regulation is evolving and should be balanced with competition values.

New Zealand presented findings from a 2024 market study on personal banking services, describing a stable oligopoly with two tiers (large internationally owned and smaller domestically owned banks). New Zealand identified four prudential-related competition issues: differences in capital requirement methodologies (internal ratings-based for large banks, standardised for small banks) that forced smaller banks to hold higher capital for similar risks; concerns about minimum capital thresholds for establishing a bank possibly being too high (later lowered by the reserve bank); concerns about deposit insurance scheme costs for small banks; and a recommendation that the reserve bank more systematically incorporate competition considerations, noting new competition assessment guidelines. New Zealand stressed its role is to apply a competition lens without substituting for the prudential regulator's responsibility for stability settings.

Argentina described a "hybrid model" in which policy measures such as mandated QR interoperability and instant transfers between banks and non-banks supported contestability on the consumer-facing side, while prudential rules constrained deposit intermediation by requiring payment account providers to keep customer funds fully backed in regulated banks and immobilised at the central bank. Argentina suggested that fintech credit expansion then relies on capital markets securitisation or migration into banking licences. It also described enforcement and regulatory actions in card acquiring and processing, including structural divestiture and non-discriminatory access obligations, alongside interchange fee caps and QR interoperability requirements, arguing that combined actions reduced dependency on single providers and improved operational resilience.

Korea described competition assessments used to refine prudential regulations. Korea gave an example where uniform investment limits on securities were seen as leading banks to rely heavily on interest income, and the competition authority recommended excluding certain low-risk bonds from limits to support diversification while preserving prudential goals; it reported acceptance and legislative amendment. Korea also discussed incorporation requirements for community credit cooperatives, where a tenfold increase in minimum thresholds was revised after competition assessment flagged entry and inclusion harms; the final version eased requirements and added a grace period. Korea also described

an MoU since 2007 aimed at minimising overlapping investigations and sanctions burdens while respecting each authority's objectives.

Mexico framed open finance as potentially inclusion-enhancing given the persistence of cash and limited access among vulnerable groups. Mexico described concerns that prudential frameworks may impose disproportionate burdens on smaller institutions and noted that small banks may be disadvantaged by risk diversification requirements. Mexico referenced contributions to debate on a fintech law, advocating that authorisations and prudential requirements should be proportional to objectives, complexity, and risk. Mexico also cited specific rules for electronic payment institutions (such as requirements around secondary cloud providers, transaction limits through agents, and the allocation of bank deposit risk to fintechs) as creating regulatory asymmetries that can disadvantage fintechs relative to banks despite similar operational risk profiles, even where measures may be linked to AML objectives.

Brazil provided two interventions. The first described a memorandum of cooperation between the competition authority and the central bank since 2018, with responsibility divided so that the competition authority addresses market concentration and antitrust issues while the central bank addresses prudential regulation. Brazil reported extensive merger review history in banking and insurance (343 operations since 1995), limited remedies (six), no blocks by the competition authority, and noted a case where the central bank blocked an operation on prudential grounds with a related fraud investigation. Brazil also mentioned an interim measure against ITAU Bank concerning discriminatory conduct in the credit card payment system and emphasised advocacy success, including reforms enabling open credit card markets, widespread adoption of Pix, growth in fintechs, and near-universal access to digital accounts, alongside removing restrictions on international financial institutions operating in Brazil.

The second Brazilian intervention (from the Secretariat for Economic Reform) described a government initiative: a public competitive digital platform integrated into the digital employment record for payroll-deducted loans (the Worker Credit Program). It stated that institutions submit offers ranked by interest rates, improving transparency and competition, promoting collateralised lending, and potentially supporting stability. It referenced participation by roughly 100 accredited institutions and suggested the reform expands the potential pool dramatically and could be reinforced through credit portability mechanisms and planned competitive auctions within the platform.

Chinese Taipei described how its financial supervisory authority responded to fintech development through a regulatory sandbox, licensing of internet-only banks, and promotion of open banking. It reported licensing three internet-only banks beginning in 2018 and launching between 2020 and 2022, targeting digitally active customers while still being subject to the same prudential requirements as traditional banks. It described joint ventures between financial and non-financial entities and noted that, during review, the competition authority focused on competitive impacts arising from applicants' user bases and digital ecosystems, while the supervisory authority focused on internal controls, compliance, information security, and customer data protections in cross-industry collaboration contexts.

A third poll asked how often delegates met financial regulators officially in the last year. The Chair reported that 24% had not met their financial regulator, implying substantial scope for deeper institutional dialogue and routine coordination.

Closing reflections: cooperation, trust, mission boundaries, and emerging systemic risks

In concluding remarks, **Director Carmine Di Noia** reflected on how the discussion connects to long-standing questions about what banks are, why they exist, and how legal definitions (deposit-taking and lending) shape regulatory boundaries. He argued that the world is changing in ways that challenge old assumptions about deposits and loans, and he emphasised the multiple tensions not only between prudential and competition objectives but also among micro-prudential, macro-prudential, consumer protection, and investor protection goals. He referenced EU regulatory choices that prioritise stability over certain transparency requirements in extreme cases, and he suggested that committees and coordination forms may be needed because markets increasingly have “no boundaries.” He returned to the need for cooperation—national, international, and public–private—and suggested that calibration and proportionate tools (risk-sensitive capital and liquidity, deposit insurance design, licensing regimes, resolution frameworks) remain central. He also previewed that similar issues arise in capital markets and market infrastructure, suggesting the topic’s relevance extends beyond banking.

The **Chair** added that the relationship should be seen not only as tension but also as mutual learning. He suggested prudential communities bring macroeconomic consequences and modelling sophistication, while competition communities bring activity-based thinking through relevant market definition and expertise on vertical and conglomerate effects across markets—capabilities that can be valuable for “activity versus entity” debates and cross-market spillovers.

In final speaker remarks, **Ms Fernanda Garibaldi** returned to the importance of macro-prudential supervision in digital markets, stressing interconnection, data sharing, and institutional dialogue among central banks, competition authorities, data protection authorities, and sector regulators. **Professor Xavier Vives** highlighted two open issues: making the activity-versus-entity distinction operational (because systemic entities change the risk impact of the same activity) and managing “mission creep” as competition authorities increasingly drift toward ex ante regulation, partly in response to perceived limits of ex post tools in digital contexts. **Professor Elena Carletti** emphasised “non-financial risks” such as anti-money laundering and data as growing risks that should not be underestimated, and she framed them as central to trust, which is foundational to financial sector stability; she argued that trust shocks can propagate rapidly across institutions even without direct exposures. She agreed that macro interactions among new entities and the broader sector are crucial. In a final exchange, Professor Xavier Vives noted the “growing elephant” of crypto and signaled that crypto and stablecoins pose a large challenge with potentially macro implications; the Chair suggested this creates a clear reason for future sessions on crypto and stablecoins’ impact on banking models.