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**Balancing Prudential Regulation and Competition Considerations in Banking –  
Summaries of contributions**

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This document reproduces summaries of contributions submitted for Item 10 of the 147<sup>th</sup> OECD Competition Committee meeting on 4-5 December 2025.

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## *Argentina*

The Argentine financial system is undergoing a process of structural reconfiguration. Historically dominated by banks, the industry is now being transformed by the entry of new players—particularly fintech and Big Tech companies.

These companies distinguish themselves through their approach, particularly their intensive use of digital technologies in retail financial services. Among their most notable expressions are digital wallets, online lending platforms, electronic payment applications, crowdfunding schemes, which expand access to alternative investments, and automated or "robotic" investment advisors.

The emergence of this ecosystem raises dynamics and tensions that go beyond purely commercial logic. On the one hand, fintech companies are catalysts for innovation in payment systems, capable of eroding dominant positions across market segments and expanding financial inclusion by promoting greater service dissemination and reducing transaction costs. On the other hand, their rapid expansion and growing relative weight within the payment system are a cause for concern from a financial stability perspective. Given the magnitude of the transactions they intermediate, a negative shock could generate systemic externalities that ultimately compromise the system's overall soundness.

The purpose of this contribution is to analyse the evolution of the interaction between banks and fintech, considering prudential regulations and competition policies. The note seeks to contribute to understanding the regulatory challenges arising from this transformation, as well as the risks and opportunities it presents from the perspectives of stability and competition.

The document is structured as follows. Section I describes the leading authorities responsible for regulating and supervising Argentina's financial system, along with their mandates. Section II traces the evolution of bank–fintech interactions, highlighting interoperability, prudential safeguards for payment accounts, licensing developments, and the competitive dynamics that have emerged. Section III reviews the legal and supervisory framework, detailing coordination mechanisms among the Central Bank of the Argentine Republic (BCRA, for its acronym in Spanish) and the National Commission for the Defence of Competition (CNDC, for its acronym in Spanish), and examines how competition enforcement and sectoral regulation have interacted in practice, including market investigations, divestiture and conduct remedies, and interoperability rules. Section IV concludes with policy considerations on balancing innovation, competition, and prudential objectives to support resilient, contestable, and inclusive financial markets.

## *Brazil*

### **CADE**

The Administrative Council for Economic Defense (CADE) has the authority to act both preventively and repressively in competition defence, in all economic sectors. As to the jurisdiction of the Central Bank of Brazil (BCB), it comprises prudential regulation and the clearance of mergers in the financial sector. Despite past controversies, the two institutions now understand that their competencies are concurrent and cooperate with each other. Furthermore, the BCB modulates prudential regulation in order to minimize impacts such as barriers to entry and reduced competition in the financial sector. Two examples show how both the authorities work in merger reviews.

### **SRE**

This contribution provides an overview of key initiatives undertaken by the Secretariat for Economic Reforms (SRE) of the Ministry of Finance to promote and safeguard competition, emphasizing measures that balance economic efficiency, financial inclusion, and systemic stability. It examines three legislative reform proposals led by the SRE: expanding access to payroll-deducted credit for formal workers (Section 2); establishing a modern legal framework for financial market infrastructures that empowers supervisory authorities to promote competition (Section 3); and updating the insurance framework (Section 5). In addition, it presents the results of an innovative competition advocacy initiative related to social security benefit payments (Section 4).

## *Indonesia*

The regulatory dilemma is becoming increasingly urgent amid efforts to encourage banking consolidation to face global and domestic challenges. Actions aimed at achieving stability (e.g., encouraging banks to grow large or conducting mergers) have the potential to create dominant positions and significantly reduce competition. The relevant stakeholders are expected to cooperate seeks to dissect the philosophical and practical conflicts that arise at the intersection of the two legal regimes, as well as identify the harmonized framework necessary to achieve a stable, fair, and efficient financial system.

## *Ireland*

The Irish Competition and Consumer Protection Commission's contribution focuses on our recent engagement with the banking sector in Ireland through our advocacy and merger review functions.

Prudential regulation and competition policy do not have to be in conflict. When prudential rules are designed with competitive neutrality and proportionality in mind, and when competition enforcement is mindful of potential risks, both objectives can be complementary.

The Irish banking sector has changed significantly since the 2008 financial crisis. Today, the main framework for regulating the banking system in Ireland is the European Union's Single Supervisory Mechanism Regulation. Under this mechanism, the European Central Bank is the central prudential supervisor of financial institutions, with the Central Bank of Ireland acting as the competent authority in Ireland.

In recent years, the CCPC has advocated for policy measures aimed at enhancing competition in the Irish banking sector, while ensuring the preservation of strong consumer protection standards.

In our response to a major governmental review of the Irish retail banking sector in 2022, we emphasised that it is essential for public policy and regulatory frameworks to actively facilitate new market entry and ensure that competition remains effective. We called for the Central Bank of Ireland's mandate to be amended to include competition objectives. While this change was not taken forward, the Government did recommend that the Central Bank more closely consider competition, market entry and innovation in its regulatory approach.

We have a cooperation agreement in place with the Central Bank. The agreement commits both organisations to meet regularly to discuss matters of mutual interest. Both organisations will also communicate as required between meetings on such matters of shared interest that may arise in the course of day-to-day business.

Our contribution also covered a number of recent merger reviews in the banking sector, which arose from the exits of two banks from the sector and the acquisition of their assets by the remaining banks.

## *Israel*

The Israel Competition Authority (the "ICA" or the "Authority") has chosen to focus this contribution on the topic of regulatory balance and policy design, in accordance with the core of its institutional efforts in recent years.

The Israel Competition Authority operates under the Competition Law, 5748-1988 (the "Law", or the "Competition Law"), and fulfills a dual function: exercising its powers under the Law (including enforcement, merger approval, etc.) and pro-competitive advocacy vis-à-vis other regulators. This latter role requires the Authority to issue formal opinions and actively participate in public committees tasked with examining financial markets and shaping policy.

The governmental coordination and discussion on the balance between prudential regulation and promoting competition are typically conducted within the framework of ad-hoc committees and joint initiatives. The Inter-Ministerial Committee to Examine Measures for Increasing Competition in the Retail Banking System ("the Committee"), which will be further elaborated upon in this Contribution, represents a classic example of this institutional mechanism. The composition of the Committee included all key financial regulators and served as a platform for integrating competitive-economic analysis at the early stage of policy-making. Upon the completion of its work in August 2025, the Committee's recommendations were adopted by the Minister of Finance and the Governor of the Bank of Israel and are currently being prepared for legislation.

## *Japan*

In December 2023, the Financial Services Agency (FSA) issued business improvement orders against four Japanese major non-life insurance companies under the Insurance Business Act. These orders aim to ensure the sound and proper management of their operations, in response to conduct suspected to violate the Antimonopoly Act and improper business practices in light of the Antimonopoly Act, as well as systemic issues underlying them, uncovered by reports from those companies. In October 2024, the Japan Fair Trade Commission (JFTC) issued cease and desist orders and surcharge payment orders totaling approximately JPY 2 billion against the four major non-life insurance companies and one insurance agency for violations of Article 3 (Prohibition of Unreasonable Restraint of Trade) of the Antimonopoly Act. Simultaneously, the JFTC compiled and published the points to be noted under the Antimonopoly Act and competition policy regarding the formation and use of co-insurance for non-life insurance companies, non-life insurance agencies and policyholders. The JFTC also requested the FSA and the General Insurance Association of Japan to ensure that all non-life insurance companies and agencies as well as members of the Association, fully comply with the Antimonopoly Act.

The JFTC, which is a government institution established to enforce the Antimonopoly Act, covers competition issues in all sector, not limited to the non-life insurance sector. It investigates alleged violations of the Antimonopoly Act such as cartels and bid-riggings among enterprises, and take necessary measures such as cease and desist orders, to eliminate violations and restore competition in the market. The FSA is also a government institution established to ensure financial stability, protect policyholders, etc. and facilitate the smooth functioning of the financial system. Regarding non-life insurance, the FSA takes necessary supervisory measures, including orders against insurance companies to ensure the sound and appropriate operation of insurance companies and to protect policyholders, etc.

In addition to the effort by a competition authority to eliminate and prevent the recurrence of violations, which employs enforcement and advocacy as a dual approach, measures based on a sector-specific law by a regulatory agency is also considered an effective means of realizing a proper competition environment, particularly, against inappropriate incidents arising from business practices spread throughout the entire industry and the market environment created by such practices, like the case above.

## *Korea*

Korea's financial industry has developed with prudential soundness as its foremost priority through the experience of the Asian financial crisis and the global financial crisis. However, prudential regulation inevitably constrains the business activities of financial institutions and raises entry barriers, thereby weakening competition. Conversely, excessive competition may increase risk-taking behavior, potentially undermining the stability of the financial system. Accordingly, Korea has sought to harmonize prudential regulation and competition policy to achieve both financial stability and market efficiency.

A representative example is the rationalization of banks' investment limit regulations on securities. By excluding low-risk local and special bonds from the scope of investment limit regulations, this reform expanded banks' autonomy in asset management and diversified their sources of non-interest income. Another example is the adjustment of approval requirements for the incorporation of the Korean Federation of Community Credit Cooperatives. During the process of tightening these requirements, the KFTC conducted a competition impact assessment and pointed out that excessive entry restrictions could impede regional financial inclusion. The requirements were consequently adjusted to a reasonable level, demonstrating a balance between financial stability and inclusive competition.

Meanwhile, the KFTC has consistently enforced the MRFTA in the banking sector. Following the foreign exchange fee cartel case, the KFTC and the FSC signed an MOU and have since built cooperative frameworks in various areas, including the review of financial terms and conditions, to minimize overlapping regulation and institutional conflicts. In addition, the KFTC is currently investigating an agreement among banks to exchange information on transaction terms, expecting the outcome of this case to serve as a benchmark for distinguishing between "anticompetitive information exchange" and "information exchange aimed at improving efficiency."

Korea's experience shows that when prudential regulation and competition policy conflict, establishing coordination mechanisms and fostering cooperation between the two authorities based on mutual respect for each other's expertise can strengthen both the stability and efficiency of the financial system.

## Latvia

The contribution describes Latvia's recent initiatives aimed at ensuring an appropriate balance between prudential regulation and the preservation of effective competition within the financial sector.

In the aftermath of the 2018 ABLV Bank crisis, Latvia substantially reinforced its supervisory and anti-money laundering frameworks, thereby restoring confidence and safeguarding financial stability. These measures, while strengthening the prudential soundness of the sector, have concurrently contributed to a more conservative lending environment and a potential reduction in competitive dynamics.

The Bank of Latvia (hereinafter – LB), as the competent authority for prudential supervision, has integrated traditional supervisory functions with financial innovation policies, including the establishment of a regulatory sandbox and the facilitation of financial technology (*fintech*) development. The Competition Council (hereinafter – CC) exercises its statutory mandate to ensure that prudential regulation and supervisory practices do not unduly restrict competition.

Historically through sectoral market inquiries, the CC has identified barriers to customer mobility in retail banking, which has led to the adoption of legislative amendments in 2024 simplifying mortgage refinancing procedures. Nevertheless, the CC is also presently conducting a comprehensive market inquiry into the commercial banking sector to assess competition conditions and credit market dynamics.

Overall, Latvia's experience illustrates the persistent legal and institutional challenge of reconciling prudential discipline with competition, underscoring the necessity of a proportionate, transparent, and innovation-driven regulatory environment conducive to both financial stability and effective market competition.

## *Mexico*

Prudential regulation in Mexico plays a key role in safeguarding financial stability, and the Competition Authority (CNA) actively promotes improvements to ensure these measures also foster fair competition and innovation. Through studies and opinions, the CNA has encouraged proportional, risk-based requirements tailored to each institution's complexity and scale, supporting smaller entities and Fintech firms while maintaining systemic resilience. These efforts aim to create a regulatory environment that balances stability with market openness, driving inclusion and technological progress in the financial sector.

## *New Zealand*

This paper discusses the role that the consideration of competition has played, and is currently playing, in prudential regulation in New Zealand, focusing on capital requirements for banks.

This paper firstly outlines the history and evolution of prudential regulation in New Zealand's banking sector.

There have been 2 major recent studies touching on prudential regulation and competition in New Zealand. These are (1) the New Zealand Commerce Commission's (NZCC) market study into personal banking services in 2024, and (2) a Parliamentary Select Committee inquiry into banking competition, which issued its final report this year. The paper discusses these two studies.

The NZCC found in its market study that New Zealand's four major retail banks do not face strong competition. They saw the market as a stable two-tier oligopoly with no disruptive "maverick" nor sporadic price competition. It made a suite of recommendations for improving competition, designed to work together to support new entry and expansion, reduce the regulatory barriers to competition, and to empower consumers to get better prices and services. The NZCC's findings, as well as recommendations, are outlined in the paper.

The Parliamentary Select Committee inquiry's report was consistent with many of the findings and recommendations in the NZCC's market study. The inquiry's findings, as well as recommendations, are outlined in the paper

The New Zealand experience emphasises the importance of, indeed the necessity for, considered competition assessments to inform prudential policy choices. Competition will not always be the primary driver in prudential policy design, but it is indispensable for the benefits it brings for consumers.

## *Portugal*

The relationship between bank competition and welfare, on the one hand, and financial stability on the other hand, is complex due to the intermediation role played by banks.

Competition policy should be regarded as a complement to prudential regulation to achieve a sound financial system.

Competition can play an important role in dealing with market power and moral hazard problems, particularly in highly concentrated markets, and thus in addressing the too-big-to-fail (TBTf) problem.

Therefore, policymakers should design proportional policies that ensure financial stability, while fully applying competition policy, such as considering the adverse effects on competition of prudential measures.

Competition enforcement, with its varied toolbox, seeks to address the risks posed by mergers or anticompetitive behaviour that may hinder market entry and innovation. Competition advocacy for efficient regulation also plays a relevant role in unleashing the potential of innovation and competition in the financial sector.

Competition policy can also provide important insights on how to improve consumers' ability to search and switch easily to another provider, inducing banks' incentives to compete more fiercely.

The Portuguese Competition Authority (AdC) has been actively highlighting the importance of ensuring the application of competition policy to the banking sector. The AdC has been emphasizing that it is key to continue fostering innovation in the financial system, while protecting the system, consumers and investors, considering the risks associated with financial activities. For this reason, it is relevant to reduce the costs for the entry of new providers based on digital technology, the so-called FinTech. In addition, recently the AdC has been gathering information on any difficulties consumers may have in terms of searching and switching for better banking offers.

In sum, an adequate and proportionate level of prudential supervision in place along with market competition and contestability can bring benefits to consumers, in terms of competitively priced banking products, while maintaining an efficient and stable financial system.

## *Romania*

The 2013-2024 interval analysed in this material marks an accelerated structural consolidation of the banking sector in Romania: the number of active credit institutions has steadily declined, amid a wave of mergers and acquisitions, market exits and few new market entrants. There has been a profound reconfiguration of the banking system. Successive mergers, withdrawals of foreign groups and the growth of Romanian capital have created a system dominated by several large players, with profitability above the EU average and barriers to entry. Thus, a model of sustainable profitability was created in an increasingly concentrated market, namely a core of systemic banks, which together hold about 86% of the market.

Market concentration remains on an upward trend, supported by: (i) the advantage of the networks of banking units/ATMs, i.e. high fixed costs, (ii) the predominantly cash-oriented customer profile favouring banks with existing infrastructure, (iii) the dominance of interest income.

The balance between stability and competition cannot be achieved without a constant and efficient cooperation mechanism between authorities.

Romania's submission maps the key factors that fuelled these transformations, explains their impact on competition and analyses the interaction between prudential regulation and competition.

## *Spain*

This contribution by the Spanish National Markets and Competition Commission (CNMC) for the 147th meeting of the OECD Competition Committee addresses the topic of the session on “Balancing Prudential Regulation and Competition Considerations in Banking” to be held in December 2025 . It examines the issue from the perspective of competition advocacy.

In 2018, the CNMC conducted a market study on the impact on competition of new technologies in the financial sector, namely the Fintech phenomenon. The study concluded that, given Fintech innovations’ potential to enhance competition and efficiency (particularly by addressing market failures), the rationale for certain types of regulation could be reconsidered. The study advocated for a shift toward activity-based regulation (as opposed to entity-based regulation) and suggested exploring the use of Regtech solutions to reduce the compliance burden associated with regulation and supervision. It also specifically recommended the creation of a regulatory sandbox, and this CNMC’s recommendation was implemented by the government from 2020 onward (see link).

More recently, the CNMC has actively monitored developments in competition and regulation within the financial sector, as illustrated by two recent initiatives.

The first one is a report on the remuneration on deposits, which concluded that banking concentration may negatively affect deposit interest rates, even though the analysis found limited explanatory power in this regard. The report included recommendations aimed at reinforcing competition in this sector, such as reducing switching costs and expanding consumer access to a broader range of financial products, including through financial literacy initiatives and improving the information to consumers to enhance transparency.

The second one is a report on the potential reform of the sandbox regime. Many of its measures are in line with the recommendations made by the CNMC in our Fintech study. To improve this report from a competition advocacy perspective, the CNMC recommended ensuring continuous access to the sandbox, and emphasized that any restrictions on advertising certain products must be justified according to the principles of necessity and proportionality.

In conclusion, CNMC reports indicate that financial stability, along with other legitimate public policy objectives, could be achieved with minimal cost to competition and efficiency.

## *Türkiye*

An examination of the implementation of Law No. 4054 on the Protection of Competition in Türkiye reveals that, in addition to price parameter, Turkish Competition Board decisions regarding the banking sector take into account product and service variety, innovation, quality, data privacy and security, which directly affect consumer welfare. The difference between intended outcomes of the competition law enforcement and sectoral regulatory authorities may lead to tensions due to differently designed tools, but it may also enable compatible results. Therefore, there has been a constant effort to establish balance between competition law and regulation.

From competition law perspective, the fundamental objective is to establish a competitive market structure where all market participants can operate under equal conditions, whereas regulatory authorities primarily prioritize the protection of financial stability. In this framework, the application of rule sets adopted based on incumbent undertakings of the banking sector to the activities of fintech companies that may pose a limited risk to the financial system may negatively affect innovation and diversity in the market. Furthermore, completely exempting fintech companies from existing regulations also poses risks.

In this context, the findings of the Turkish Competition Authority's Report on Sector Inquiry into Financial Technologies in Payment Services are significant. The report states that regulations encouraging market entry and preventing new undertakings from being excluded from essential infrastructure will play a key role in establishing effective financial ecosystem. Furthermore, it is anticipated that rules providing for differentiated and gradual obligations will support the sustainability of financial innovation and market dynamism.

In summary, the asymmetric regulation approach is believed to enable regulatory authorities to develop policies that promote innovation and support competition while maintaining their responsibilities to protect financial stability. The above-mentioned outcomes are achieved through regular communication and holistic policies established between the Turkish Competition Authority and sectoral regulators.

## *Chinese Taipei*

This paper outlines the current developments and competitive landscape of the financial industry in Chinese Taipei, and draws on specific cases to illustrate the cooperation and policy coordination between the Chinese Taipei Fair Trade Commission (hereinafter referred to as the ‘CTFTC’) and the Financial Supervisory Commission (hereinafter referred to as the ‘FSC’).

The Fair Trade Act (FTA) governs competitive conduct across all industries and, according to Article 46, it takes precedence unless other laws are consistent with its legislative intent. Article 6, Paragraph 2 of the FTA also requires that the CTFTC consult relevant ministries or commissions when jurisdictional overlaps occur. To manage mergers involving financial holding companies, the CTFTC and the FSC have jointly established the regulations that provide the framework for merger assessments. During these reviews, the CTFTC actively seeks the FSC’s input on potential effects on market competition, industry growth, and supervisory policy implementation.

When conflicts arise between regulatory law and competition law, the CTFTC’s practical approach is to consult with the competent authority to jointly develop solutions that achieve both regulatory objectives and pro-competitive outcomes. In recent years, the CTFTC has addressed multiple cases involving concerted actions by insurance associations that violated the FTA. Investigations consistently revealed that these violations occurred as the associations attempted to comply with the FSC’s guidance or participated in FSC-facilitated meetings. In response, the CTFTC has proactively engaged with the FSC to enhance inter-agency coordination and resolve potential issues before competition disputes emerge.

Amid the ongoing trend of financial sector consolidation, the CTFTC is placing greater emphasis on assessing the competitive implications of future mergers. Competition advocacy also remains a key priority, with the CTFTC encouraging regulators to recognize the benefits of competition, foster a competition-friendly supervisory framework, and minimize unnecessary restrictions. These efforts aim to ensure that the market remains under appropriate supervision while enabling the competitive mechanism to fulfill its intended role more effectively.

## *Paraguay*

This contribution presents the National Competition Commission of Paraguay's (CONACOM) enforcement and advocacy actions in the banking and payments sector, demonstrating an effective sequence of intervention.

In 2022, CONACOM sanctioned Bancard S.A., the dominant card processing company, for abuse of dominant position. The findings revealed that Bancard S.A. used exclusivity agreements and applied discriminatory conditions to its financial institution shareholders and non-shareholders, which created anticompetitive barriers and market closure in the card processing and acquisition markets.

Beyond the penalty and corrective measures, the case led to competition advocacy as CONACOM identified that existing Central Bank regulation on payment times inadvertently created a structural market barrier that favored the dominant firm. This advocacy resulted in the Central Bank developing the National Payment System Bill, which mandated the interconnectivity and interoperability of payment systems to structurally promote competition. CONACOM further recommended that the Central Bank apply principles of necessity, proportionality, and neutrality to prevent the new regulation from imposing unjustified barriers.

The case illustrates how competition enforcement can lead to necessary regulatory reform to balance prudential goals with market competition and innovation.

## *BIAC*

The banking sector's distinctive characteristics – systemic interconnectedness and susceptibility to confidence-driven failures – necessitate regulatory approaches that might impact competition law. Historical evidence from the 2008 financial crisis and recent consolidations demonstrates that financial stability concerns frequently override competition considerations in crisis scenarios.

The paper analyzes how post-crisis prudential requirements, particularly capital and entry requirements under Basel III and related frameworks, might create barriers to market entry and competitive dynamics. While these regulations serve legitimate financial stability objectives, their blanket application imposes disproportionate compliance burdens on smaller institutions and fintech entrants. BIAC advocates for risk-proportionate regulatory calibration that differentiates requirements based on institutional size, complexity, and actual risk profiles rather than applying uniform standards across all market participants.

Competition authority interventions have sometimes yielded limited effectiveness despite significant implementation costs. The paper concludes that optimal policy requires prudential regulators to explicitly consider competitive impacts when designing requirements, tailoring regulatory burdens to match risk levels while avoiding unnecessary barriers to entry. This balanced approach would maintain systemic stability while fostering innovation and competition in evolving banking markets, particularly as fintech disrupts traditional models.