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Keynote speech by Luigi Federico Signorini

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Conference on 'Contracts and competition in the banking market:
the challenges of the 21st century'

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Competition is the engine of market economies, and the mechanism that boosts their allocative and operational efficiency. (I shall return shortly to these two concepts and clarify them, with specific reference to banks). It is a powerful but delicate mechanism that needs to be protected if it is going to last and, if necessary, to be promoted, by regulations, policies, and administrative activity. The protection of competition in the European Union, as enshrined in its Treaties, is a fundamental pillar of the economic order.[1]

Generally speaking, this principle applies to the banking market just as it does to any other sector of the economy. However, the activity of banks is distinctive in some respects, which means it has to be subjected to more far-reaching regulation and supervision than other economic sectors. Two basic elements define the relationships between banks and their customers (depositors on one side and borrowers on the other): leverage and maturity transformation. On the one hand, these two things allow banks to play their central role in contributing to the smooth running and the growth of the economy. They do so by channelling savings, or at any rate a significant part of them, towards the most productive uses, thus sparing individual savers with surplus funds from the impossible task of having to personally assess the merit of each potential investment. On the other, they can only function thanks to an inherently very delicate catalyst, which is trust, or more precisely trust between givers and receivers of funds, on the two sides of a bank's balance sheet. This means that if there are information asymmetries and uncertainty, banks are exposed to the risk of failure, runs and liquidity crises, whose effects go beyond those directly involved and can have serious repercussions for the entire economy.

The potentially systemic significance of banking crises justifies the existence of more detailed rules in this sector than those applying to other businesses, as well as of a

1 I would like to thank Giorgio Albareto, Emilia Bonaccorsi Di Patti, Alessio De Vincenzo, Roberta Occhilupo, Enza Profeta and Maurizio Trapanese, who helped in various ways to prepare the material on which this speech is based.

prudential supervision regime. Does it also require limits on competition? Nowadays the answer is no, and the protection of financial stability is entrusted to other, more appropriate instruments. In the past, however, this issue has seen opposing ideas prevail from time to time. I thought it might be useful to devote the first part of this address to looking at how the protection of stability and of competition have intertwined in the history of banking regulation in Italy, and to discussing the lessons to be learnt from this.

It is instructive to know where we come from. Yet it is even more important to understand where we are and where we want to go. The second part of this speech will therefore deal with the present and the future. National rules and policies are still important for protecting competition in the banking sector; however, today this is also, and I would say above all, a European issue. The single market must be completed and the barriers must come down, including the legal ones that still de facto exist.

The classical position was that commercial banks needed no special regime. Even Luigi Einaudi, who would go on to be governor of Banca d'Italia, criticised the idea, at least in his early writings,[2] that the State would end up somehow guaranteeing the solvency of banks by means of constraints and requirements. Its protection should instead be entrusted, as in any other sector, to the caution of creditors, in this case depositors and other banks above all. There were hardly any specific banking regulations until the first decades of the last century (albeit with a few exceptions).[3]

The first law explicitly entrusting Banca d'Italia with prudential responsibilities dates back to 1926. Yet the earthquake that shook Italy's financial and industrial system between the end of the 1920s and the early 1930s, together with the altered political and cultural conditions, eventually led to a complete change in the framework. This event, or rather set of events, which saw some of the largest conglomerates fall like houses of cards and swept away the country's major commercial banks, had serious economic repercussions and required considerable use of public resources. It was partly caused by the international crisis of those years. However, it also shone a spotlight on the risks inherent in excessive intermingling between banks and industry, in having no rules on conflicts of interest, and in a lack of basic regulatory safeguards for liquidity and prudence.

The outcome was the 1936 Banking Law, which remained in force for more than half a century, though with some amendments and adaptations.

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2 Einaudi displayed his strong opposition in these writings to 'state supervision of banks', because it 'would only help cunning and dishonest bankers to catch depositors by displaying state control in manifestos and public announcements and by boasting about it in a deafening manner'. L. Einaudi, *Cronache economiche e politiche di un trentennio (1893-1925),* vol. I, 1893-1902, Einaudi, Turin, 1959.

3 In the decades prior to the 1926 Banking Law, rural, cooperative and savings banks were subject to special regulation because of their organisational and operational features, which made them profoundly different from other banking enterprises. G. Toniolo, *History of the Bank of Italy,* Volume I, Il Mulino, Bologna, 2022. R. De Bonis and M. Trapanese, 'The four ages of banking regulation: What to do today?', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 756, September 2023. M. Molteni and D. Pellegrino, 'Lessons from the Early Establishment of Banking Supervision in Italy (1926-1936)', Quaderni di Storia Economica (Economic History Working Papers), Banca d'Italia, 48, October 2021.

The set-up created as a result of this reform was in many ways the polar opposite of that of previous decades. As a matter of fact, all large banks were now either public entities, or formerly private commercial banks brought under public control after the crisis. As a matter of law, the regulatory framework was also radically transformed in a public sense. The law conferred broad discretionary powers on supervisory bodies, with no explicit indication of the purposes of those powers or, therefore, of the limits on exercising such powers. As well as being a product of the crisis, the new legal system was also part of the general dirigiste system that marked the Fascist regime's approach to economic policy. For the government, the stance on credit could be an extra lever of control.

Two different remedies were attempted to fix the flaws that had characterised the traditional 'mixed bank' model (conflicts of interest, excessive maturity transformation, and aggressive, sometimes reckless strategies). The first was to prohibit banks from acquiring industrial shareholdings, while at the same time rigorously segmenting the credit system based on the maturities of balance sheet items and on business specialisation: 'special credit institutions' were created specifically for long-term credit and were funded with multi-annual liabilities. The second was to set strict limits on competition in the credit market. Banks were divided into legal categories, each of which was authorised to perform a specific, more or less extensive set of activities. With the exception of specific categories of large institutions, banks had a set 'territorial jurisdiction' and were not allowed to encroach on one another's geographical spheres. Market entry, i.e. the creation of new banks, was subject to the discretionary power of the credit authorities. Expanding businesses by opening branches was also left to the judgment of the authorities, who took, their decisions based on what they considered to be the 'economic needs' of the market, without reference to pre-determined regulatory criteria (at least at the outset).

The Italian banking system thus established was defined as a 'sectional' system,[4] a generic expression in theory, but actually used mostly, as far as I know, in reference to the case of credit. According to this definition, credit institutions were classified as 'imprese-funzione' (enterprises that perform public functions), which the sectoral authorities could steer by means of administrative acts in order to achieve public sector objectives. One consequence of this approach was the classification, also confirmed in law, of banking as a service in the public interest.

My impression is that this overall set-up was not used very much by the political powers to direct credit (except in the distorted way that we shall see shortly). This was also because – with regard to the administrative powers of supervision – after the collapse of the Fascist regime, the technical independence of the central bank, which was entrusted with supervision, was always respected and never intended to be used for political strategies; but the issue is complex, meriting further discussion, and we cannot do it justice here. There is instead another question linked to today's topic: were all the restrictions on competition that we have spoken about justified by the fact that this was the tool needed to prevent banking crises?

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4 See M.S. Giannini, 'Istituti di credito e servizi di interesse pubblico', *Moneta e Credito*, vol. 5, 1949, M. Porzio, *Il governo del credito*, Liguori, Naples, 1976 and R. Costi, *L'ordinamento bancario*, Il Mulino, Bologna, 1994.

While there were no systemic banking failures in the 1950s, at the height of the economic boom, nor in the 1960s, the list of crises that occurred between the 1970s and the 1990s was a long and painful one. Some of the names involved, no doubt well-known to everyone in the audience, were those of large institutions, brimming with history and prestige. The crisis was caused by fraudulent behaviour in some cases, and in others, above all by distortions in the allocation of credit, which in turn can be traced to the adoption of lending criteria that were not based on business logic. In any event, the above-mentioned constraints on competition (segmentation by geography and purpose, limits on market access and on growth in activity) were not effective as a brake.

It can actually be argued that, by easing competitive pressure and thus the need to allocate funds efficiently, the protection of specific markets, coupled with the public nature of some institutions, was in some cases perversely instrumental in helping to steer the provision of credit based on criteria other than those of sound economic governance. This triggered a build-up of bad loans, which was eventually ruinous for the institutions concerned.

Be that as it may, suppressing competition comes at a cost. We mentioned *allocative* efficiency just now, but it is important to stress here that in general, i.e. also setting aside possible cases of clientelism or other distortions, competition is an important stimulus for banks to distribute loanable funds based on the expected return net of risk, thus contributing to the overall efficiency of the economic system. Its absence instead makes more room for the pursuit of sub-optimal allocations. In addition to this consideration is the one relating to *operational* efficiency, i.e. the minimisation of costs, which is also highly sensitive to the crack of the whip represented by competition on the market. It is not by chance that, under the 'old regime' of the 1936 Banking Law, banks tended to have high costs and, in spite of them, huge profits. Credit intermediation came at a high social cost. The reforms of the early 1990s had a dramatic effect here: between the mid-1990s and mid-2000s, the cost-income ratio fell from 70 to 60 per cent; productivity, as measured by the resources spent per worker, grew by 30 per cent in real terms.

What lessons can be learned from this brief overview? That limiting competition comes at a definite cost in terms of efficiency, while offering few if any long-term benefits in terms of stability, so stability must be pursued by other means. While no prudential framework, no matter how carefully designed, can entirely prevent banking crises – especially during periods of stress in the real economy – there is no evidence to suggest that, if stability is the objective, severely curtailing competition is the right path to achieving it.

This conclusion may seem self-evident today and has in fact been broadly accepted since the Amato Law, 35 years ago, but at the time, it required a new cultural shift. It was not a question of returning to the old notion that banking did not need prudential safeguards. Rather, it meant accepting that restricting competition was not an effective measure to guard against risks to stability. The change was gradual and involved both administrative practices and the regulatory environment.

As early as the 1970s, Banca d'Italia had begun reviewing its approach, gradually moving towards easing – and ultimately removing – restrictions on competition among banks, by making full use of the flexibility provided by the banking legislation in force at the time. This shift was also driven by the first European Community Directive on credit institutions.[5] From then on, the exercise of authorisation powers, such as those governing the opening of new branches, began to be based on competition criteria, with a particular focus on efficiency.[6] The case-by-case approach was phased out: first by limiting the discretionary nature of these authorisation powers with the introduction of structured 'branch plans' in 1978; then, starting in 1990, by granting banks full autonomy to open and relocate branches.

These measures introduced competitive elements into a system still largely shaped by the *dirigiste* framework of the 1936 Banking Law. Eventually, it became clear that a comprehensive reform was needed, which culminated in the enactment of the Consolidated Law on Banking ('Testo Unico Bancario', or TUB) in 1993, as the outcome of extensive technical groundwork that had involved both industry and academia.[7] The reforms were sweeping, and were driven by both external and internal factors. Among the former, a key milestone at international level was the 1988 Basel Committee Accord on capital, which introduced a uniform minimum capital requirement. This created a prudential safeguard (specifically, a leverage constraint)[8] that was compatible with market incentives (banks needed to raise capital to take on more risk) and at the same time was in line with competition principles (it applied equally to all institutions).

5 See P. Ciocca, *Banca, Finanza, Mercato*, Einaudi, Turin, 1991.

6 The criteria to be observed by Banca d'Italia in authorising the opening of new branches or the transfer of existing ones were laid down in a resolution of the Interministerial Committee for Credit and Savings (CICR) of 6 January 1978. The resolution was aimed at increasing the integration of banking infrastructure in underserved areas, to meet both current and future local development needs, to promote a more uniform level of competition across different parts of the banking market and to improve the overall efficiency of the banking system. See R. Costi, *L'ordinamento bancario*, Il Mulino, Bologna, 1994. The gradual shift in perspective that took place during Guido Carli's time as Governor, and the steps the Bank began to take at that time, are summarised in P. Ciocca, '*La Banca d'Italia. Una istituzione speciale*', Aragno, Turin, 2022. One excerpt reads: 'Carli [...] removed the provisions instructing branch directors to monitor banks' overly aggressive behaviour from the supervisory guidelines; he liberalised the provision of certain services (such as cash withdrawals), lifted the ban on advertising, loosened the restrictions on territorial jurisdictions, and phased out qualitative controls through credit ceilings [...] Among the criteria used by supervisors to authorise the opening or relocation of bank branches [he introduced] an explicit antitrust objective – particularly in local deposit markets served by a single bank.'

7 As early as the mid-1980s, the layering of banking legislation had become so complex that the then Governor of Banca d'Italia felt compelled to call for 'an updated and comprehensive presentation of the Banking Law'. See C.A. Ciampi, 'Concluding Remarks', Rome, 31 May 1986. In the years that followed, the volume of legislation requiring coordination and reform grew substantially. According to G. Castaldi, 'Il riassetto della disciplina bancaria: principali aspetti innovativi', Banca d'Italia, Quaderni di ricerca giuridica (Legal Research Papers), 36, 1995, 'the consolidated law on banking and credit (...) has systematically brought together a vast body of legislation which, for more than 50 years, had sought to keep credit regulation in step with the evolving legal framework by way of additions and modifications to the foundational core of the 1936 Banking Law, whose centrality had never formally been questioned. The 162 articles of the Consolidated Law replaced approximately 1,400 provisions contained in more than 130 separate legislative acts'.

8 The first two Basel Accords devoted less attention than they should have to the other key issue, i.e. maturity transformation and the associated liquidity risk. Liquidity requirements were only introduced under Basel III, and my opinion is that the matter should be pursued further. On this point, see L.F. Signorini, 'Speech at the 56th Credit Day' (only in Italian), 5 October 2023.

At European level, the 1989 Second Banking Directive – aimed at creating a single market for banking and financial services – introduced the principles of minimum harmonisation and mutual recognition. These principles led to regulatory competition among national frameworks, making it difficult to implement rules that diverged from the broader trend.

Domestically, the most significant turning point before the TUB was the Amato Law of 1990, named after a former Finance minister, Giuliano Amato, who had promoted it.[9] This law restructured the 'petrified forest' (Amato's own expression) of public banks, requiring them to become public limited companies and laying the groundwork for their subsequent privatisation and consolidation. In the same year, banks were brought under the new antitrust legislation applicable to all firms, although some special provisions were made.[10] In the meantime, the Court of Cassation altered its previous stance and definitively established that banking is a private-sector activity.[11]

With the introduction of the TUB in 1993, the supervisory controls aimed at restricting competition ('structural controls', as they were then called) were abolished altogether. The constraints on the establishment and activity of banks were removed, the effects of their subdivision into legal categories were eliminated, and the *ex lege* segmentation of the market was essentially dismantled. The entrepreneurial nature of banking was confirmed.[12] The first rules on the transparency of banking contracts were also introduced, and while they were expressly designed to protect consumers, they also indirectly increased competitive pressure on the market.

In keeping with Article 47 of the Constitution, which entrusts the State with the task of safeguarding savings, the objectives of supervision were explicitly defined to include efficiency and competitiveness, alongside the sound and prudent management of supervised entities and the stability of the financial system.

Since then, the Italian banking system has been completely transformed.

For several years, the number of bank branches – which had already grown significantly since Banca d'Italia took the first liberalisation measures – increased even further. At a time when almost all banking activity was still done over the counter (a point to which I shall return shortly), banks began to engage in direct competition by opening new branches in each other's territory. The local presence of banks grew, causing their market

9 Law 218/1990.

10 Law 287/1990. Banca d'Italia continued to be responsible for safeguarding competition in the banking sector until 2006.

11 As a result, banking operators are not to be regarded as public officials or as persons entrusted with a public service when they carry out their ordinary activities of collecting savings and issuing credit. Court of Cassation, criminal ruling no. 5 of 23 May 1987 and no. 9863 of 7 July 1989.

12 See P. Ciocca, *La nuova finanza in Italia. Una difficile metamorfosi (1980-2000)*, Bollati Boringhieri, Turin, 2000.

concentration to decline. In 1980, the average number of banks per province was 21; by the end of 1996, it had risen to 29.[13]

This happened despite the sharp drop in the number of credit institutions that followed a wave of mergers. Contrary to what one might superficially think, these mergers among financial intermediaries actually increased competition in the banking sector by overcoming local market segmentation. They pushed banks to strengthen their technical and organisational capabilities and to improve the quality of their customer services. Foreign banks also gained a stronger foothold.[14]

A key driver of this transformation was the large-scale privatisation of public banks, which extended to some of the largest institutions. Between 1992 and 2002, the share of banking assets held by institutions with more than 50 per cent of their capital owned by public entities or foundations fell from 68 per cent to just 10 per cent.

The increase in competitive pressure driven by these factors (regulatory reforms, European integration and market consolidation) is confirmed by the declining mark-ups observed in empirical studies conducted by Banca d'Italia.[15]

That competition in the Italian banking sector has increased is a fact; it is the result of decades of regulatory innovation and market developments. I would now like to explain why we cannot stop here, and why we must shift from a national to a European perspective. Let me point out two noteworthy developments.

The first is that the technology has evolved, and so, more broadly, has the structure of banking service provision. This has had a marked impact on banks' economies of scale and, as a consequence, on the size of their reference markets. There was a time when the products in which to invest and the services provided were relatively few and fairly basic; any bank, however small, could independently provide almost everything most of its customers needed. Furthermore, customer relations were largely grounded in personal interaction at a local level. Clients would physically have to go to a counter to open and close an account, withdraw or deposit money, cash a cheque, arrange a transfer, apply for a loan or get advice on how to invest their savings (and as for the latter, small savers

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13 R. De Bonis, A. Ferrando, *The multimarket contacts theory: an application to Italian banks*, Temi di Discussione (Working Papers), 387, 2000.

14 Between 1990 and 2000, there were 356 mergers and consolidations, and 158 majority share acquisitions (see *Annual Report for 2000*, 2001); in the previous decade, there had been less than one quarter. The number of banks went down from 1,156 to 841, but the degree of overlap among banks in local markets increased. During the same period, 191 new banks were established, and the number of branches and subsidiaries of foreign banks rose from 41 to 71.

15 See, for example, P. Angelini and N. Cetorelli, 'The Effects of Regulatory Reform on Competition in the Banking Industry', *Journal of Money, Credit, and Banking*, 35, 5, 2003, pp. 663-684; De Bonis and Ferrando, op. cit.

had limited choice). Given the need for face-to-face interaction and the scant importance of economies of scale, competition largely occurred at local level.[16]

The situation is quite different today. Changes in finance have made a more diverse range of products available to small savers as well, providing more options for adapting investment choices to one's needs and optimising investment risk-return profiles at a moderate cost. These products need large amounts of investment, however, and require highly skilled professionals, with economies of scale playing a significant role. Barring a few of the largest ones, banks mostly operate as distributors for products from external 'factories' which often operate internationally. Certain types of loans can also be treated as mass instruments and offered on standardised terms. Payment services have been revolutionised too: cheques have all but disappeared, bank transfers are managed remotely, the use of cash continues to shrink, and, in any event, no one has to queue at their bank to make a withdrawal any more. There are banks that only operate online – sometimes on a transnational scale. Where personalised interactions are required (for consultancies and individual credit ratings, to give just two examples), face-to-face contact remains important, and local banks often continue to play a crucial part in supporting their local economy. In several key respects, however, the combined result of greater economies of scale and less need for direct personal contact means that competition operates in a much broader sphere than in the past.

The second aspect I wish to point out is how a unified and competitive banking system can contribute to the realisation of the savings and investment union (SIU), which is to say a fully integrated capital, banking and financial market that opens up the potential of the European single market.

I have recently commented on the reasons that make this project – now the focus of attention of the European authorities – an important objective, and I do not wish to indulge in too much repetition here.[17] I shall limit myself to saying that Europe – as noted, among other things, in the Letta and Draghi reports[18] – is in great need of attracting investment in order to recoup delays in terms of technology and productivity, accomplish the climate transition and digital innovation, and create the conditions for strong growth; that there is no shortage of savings in Europe to finance these objectives, on the contrary they are abundant, and a non-negligible part of them are invested abroad; that Europe also has the dual advantages of having a well-educated population and a huge market; but to some extent Europe's market only works on paper, owing to the persistence of internal barriers that stand in the way of fully realising its benefits; and we must therefore endeavour to bring them down.

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16 In using its powers as the antitrust authority, which it did until 2006 (see *supra*, footnote 10), Banca d'Italia chose to identify Italy's administrative provinces as the primary domain for competition on the deposit market and its regions for the lending market. This choice was founded on analyses of financial instrument rates of substitution in different areas and of the degree of demand mobility.

17 L.F. Signorini, 'Savings and Investment Union', Keynote speech, *VIGOnomics*, 30 April 2025.

18 E. Letta, 'Much More Than a Market', 2024; M. Draghi, 'The future of European competitiveness', 2024.

Market integration means operators can take advantage of economies of scale, thereby reducing access costs. It fosters competition, expands the opportunities for diversifying investment, ensures a better allocation of resources, strengthens the capacity to absorb shocks, and contributes to the stability of the financial system. In an integrated and competitive market, lending conditions for firms with the same level of risk tend to become uniform across countries, thereby making resource allocation in the economy more efficient and supporting growth.

Completing the banking union is an important part of this process. First and foremost, it is directly important, in that, as we just said, it promotes a better allocation of the capital flows that the banking system intermediates. It is also indirectly important, because it facilitates tighter integration of the financial markets, thus helping achieve similar outcomes for capital flows channelled by intermediaries other than banks.[19] Banks provide services that are essential to the functioning of these markets, from the issuance to the underwriting of securities.[20] This point was recently reiterated in the European Commission's strategy document on the savings and investment union.[21]

As far as banking is concerned, let us recall that some fundamental results have already been achieved, chief among them the basic harmonisation of prudential rules and the full integration of supervisory rules and practices. With all this in mind, and without wishing to diminish what has been done, we must be aware that the banking union still has a long way to go before it is fully accomplished.[22] Among other things, empirical analyses show that the penetration of banks established in any given Member State into the markets of other EU countries is modest and that the scale of cross-border loans to households and firms is limited. The progress made towards integration after the monetary union was established was partly reversed in the aftermath of the global financial crisis. Mergers and acquisitions have been declining. Domestic M&A deals remain more numerous than cross-border ones, and the trend has become more pronounced. Although there are no legal restrictions, only a small number of banks operate in the retail markets of other Member States.

Achieving the goal of a full banking union requires several initiatives to be undertaken.

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19 See V. Constâncio, 'Synergies between banking union and capital markets union, Keynote speech at the Joint Conference of the European Commission and ECB on European Financial Integration', 19 May 2017; L. De Guindos, 'Banking Union and capital Markets Union: high time to move on, Keynote speech at the Annual Joint Conference of the European Commission and ECB on European Financial Integration', 7 June 2023.

20 See F. Panetta, 'Europe needs to think bigger to build its capital markets union', The ECB Blog, 30 August 2023.

21 European Commission, 'Savings and Investments Union. A strategy to foster Citizens' Wealth and Economic Competitiveness in the EU', COM(2025) 124 final, 19 March 2025. The strategy is one of the 'horizontal enablers' regarded as necessary to make the European Union more competitive (European Commission, 'A Competitiveness Compass for the EU', COM(2025) 30 final).

22 For a recent assessment of the financial integration process in Europe, see C. Buch, 'Financial integration in Europe: where do we stand after the banking union's first decade?', Speech at the 'Globalisation: What's Next?' conference, Paris, 30 April 2024.

First, it is time to press further ahead in harmonising European banking regulation and simultaneously to aim for its simplification, without weakening the system. Some of the European Commission's recently announced initiatives go in this direction. Regulation has become extremely complex, not only due to its volume, but also in terms of the range of legislative sources and levels. The ideal would be a consolidated law on European banking – along the lines of the Italian Consolidated Law on Banking (TUB) – that would bring all the provisions together as part of a single set and organises them into a systematic whole. As Governor Panetta recently said,[23] 'The focus should be on simplification, thereby eliminating regulatory overlaps and ambiguities and lightening the administrative burden. A clearer and more consistent regulatory framework would reduce uncertainty for operators and make supervisory action more effective and timely. In Europe, simplification must start by harmonising the legislation across EU Member States, so that operators active in multiple markets do not have to comply with different rules'. Regulatory simplicity and uniformity are a key stimulus to European-level competition.

The introduction of a common deposit insurance scheme – another essential element in a banking union – unfortunately remains politically controversial. For this reason, a number of proposals for compromise have emerged that do not quite aim for a full-blown European insurance mechanism, but still seek to consolidate banking integration in the event of a crisis.[24] Nevertheless, when a properly unified scheme for deposit protection is introduced, the regulatory framework will become simpler, barriers and differences that act as (de facto) obstacles to competition within the EU will be removed, and a more efficient insurance system will be created through a broader pooling of risks.

Finally, achieving the banking union presupposes the effective removal of all barriers to cross-border mergers and acquisitions. It is a necessary condition for a stronger, integrated market, leading to increased competition and helping the market to grow to an appropriate size.

This is all needed specifically in the banking sector. Yet the creation of a savings and investment union will also require more uniform and effective regulation and supervision in the other sectors of finance, and above all in capital markets and insurance. For the asset management industry in particular, a 'single rulebook' is required, as well as progress towards a more centralised supervisory model at European level, especially with regard to the larger players.[25] In the insurance sector, stronger EU-wide supervision of companies with cross-border operations would be desirable, also in order to obtain a consistent and effective level of protection for policyholders.

More broadly, the realisation of the single banking market, no less than any other form of market integration at European level, is predicated on one fundamental issue.

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23 F. Panetta, 'The Governor's Concluding Remarks for 2024', Rome, 30 May 2025.

24 A. Enria, 'How can we make the most of an incomplete banking union?', Speech at the Eurofi Financial Forum, Ljubljana, 9 September 2021.

25 At the same time, cooperation among supervisory authorities needs strengthening, also by enhancing the role of supervisory boards.

As I have observed on several occasions,[26] a single market can only be properly called such when a legal framework is in place that is essentially uniform as far as certain key areas in the life of economic agents are concerned: corporate and insolvency law, disclosure regulations and accounting standards, and the basic principles of a fiscal regime. Regulatory fragmentation in these fields in itself forms a system of internal barriers that cannot be underestimated. It is therefore a major hindrance to opening up competition and an obstacle to enjoying the benefits it brings.

Overcoming this fragmentation is by no means easy. The sheer vastness of the matter stands in the way, as does the undoubted difficulty of bringing together traditions in legislation, case law and practices that are well established and firmly rooted.

In the abstract, three routes can be taken: full harmonisation, the creation of an EU-wide '28th regime' running alongside national systems, and mutual recognition among national regimes. Each route has its pros and cons, problems and potential benefits; all three have been tried to some extent and in some areas, with varying conviction and more or less positive results; we may pragmatically assume that different areas of legislation will require a different combination of these routes.

In my opinion, we really need to accelerate the process. While we cannot hide from the fact that this is an arduous task, as has just been said, neither can we delude ourselves that the result (a truly unitary market and full European competition) can be achieved without removing the most significant obstacle (regulatory fragmentation). The case of banking supervision (despite the improvements we still think necessary) is proof that, given a firm political will, especially when bolstered by the threat posed by the effects of serious events (at that time, the global financial crisis), goals that seemed unattainable can instead be achieved. Similar and radical progress has been made in the area of payments, for instance, and in other fields too.

Let us hope that the significant challenges facing Europe at this time will serve to spread awareness that decisive steps forward are needed and will spur us all into action.

26 Most recently, 'Savings and Investment Union', op. cit.

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