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States, Governments, and Banks Between Stability and Competition: A Balance in Transition

The evolving relationship between states, governments, and banks emerges clearly in the post-crisis regulatory landscape, where renewed interventions – particularly through mechanisms such as "golden power"– reflect a shift from pure market liberalism to a strategic reassertion of national interest in the financial sector. Comparing the approaches of Italy, Spain, Switzerland, and China, the analysis shows how banking regulation, consolidation, and supervision have become tools of political economy. The findings reveal a complex balance among financial stability, competitiveness, and sovereignty, suggesting that banking governance is increasingly intertwined with state policy and geopolitical strategy.

BANKING REGULATION//FINANCIAL MARKETS//CRIPTOCURRENCY//GOLDEN POWER//GOVERNANCE

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States, governments, and banks have always had close relationships, relatively speaking. While maintaining some degree of continuity, these relationships have gradually changed as banking has evolved. The latter now represents a unique area of the economy whose importance is not limited to the financial domain, but also extends to the social dimension and to public interest (Ruozi 2008; Ruozi, 2024). Banking affects the creation and management of financial resources and investments, directly influencing the economic and social development of a country. At the same time, a banking crisis can compromise this development, with repercussions on borrowers and creditors, particularly small and medium-sized savers. Negative effects can ripple out to the national and international payment system, jeopardizing its stability. To address these issues, states and governments have adopted different strategies over time, which can be divided into three main categories:

a) Public intervention in bank ownership, both at the stage of establishment, in order to provide the country with intermediaries capable of supporting national development, and during crisis management, when the need arises.
b) The enactment of regulations to govern banking activities, with the aim of protecting customers and, more generally, all stakeholders.
c) The establishment of public bodies and authorities, at national and supranational level, with regulatory and supervisory functions over the banking system.

The objectives pursued and the instruments adopted by various countries to intervene in the banking system have gradually evolved, differing according to economic and institutional contexts. The financial crises of 2007 and 2008 marked a turning point, leading to a profound rethinking of strategies and the deployment of measures, at national and international level, intended to prevent similar crises in future, at least in terms of intensity and scope. The rules meant to ensure "sound and prudent" banking management have been reinforced, in many cases overlapping with existing ones. At the same time, supervisory authorities have intensified their control activities, which are now more widespread and systematic, while sanctions have become ever more onerous.

As a result of these initiatives, which have proved effective overall, the stability of banking systems has been strengthened since 2007-2008. Subsequent crises have had less impact, to the extent that they can be considered, in a certain sense, normal for a sensitive sector such as banking. Indeed, despite the fact that banks operate in a regulated market, managers at individual institutions have ample maneuvering room. Greater stability has been accompanied by a gradual increase in bank profitability, supported by improved management practices and higher interest rates. This has occurred despite the sharp rise in costs incurred to adapt to an increasingly complex regulatory framework. Banks, which in the meantime have been structured to contain relevant risks, would now benefit from modified or simplified rules, at least to nullify the ones that have become obsolete.

THE DILEMMA OF POST-CRISIS REFORMS

Several governments are already considering measures to this effect. Among these, the United States appears to be the most decisive: The new presidential program calls for a relaxation of banking regulations, with the aim of raising the level of efficiency of the economy and national finances (Arnold, Duguid, and Jones, 2025). The United Kingdom also seems to want to move in a similar direction, as do European Union authorities, which, after having pushed to tighten the regulatory framework in the past, are currently considering softening it (Diamond, 2025; Arnold and Fleming, 2025). This revision would serve, on the one hand, to simplify and consolidate crisis management procedures and, on the other, to keep pace with the decisions taken on this matter by the US government (Albert and Angrand, 2025; Albert et al., 2025).

It should not be forgotten that, in order to protect customers – who do not always enjoy the same institutional safeguards as bank creditors and depositors – these revised regulations should cover not only banks but also non-bank financial intermediaries in all countries. In this domain, simpler and more effective regulations than those currently in place would be desirable. Particular attention should also be paid to regulatory measures in the cryptocurrency sector, which is already under scrutiny in many parts of the world, with the notable exception of the United States. Indeed, despite an obvious and very serious conflict of interest, the Trump administration seems to be moving towards deregulating the sector, with the ultimate goal of transforming the country into the global center for crypto-related activities. In contrast, most other countries are moving to control crypto production and trading with tighter, more clearly defined restrictions. The intention behind these measures (some already implemented, some still being finalized) is to prevent crises such as the ones that have penalized millions of investors in the past.

THE MULTI-LEVEL GOVERNANCE OF BANKING REGULATION

Depending on the country, a number of different bodies are empowered directly or indirectly by state authorities to intervene in the regulation and exercise of banking activities. Generally, these include at minimum the parliament, the government (as a whole or through interministerial committees or ministers with economic and financial responsibilities), the central bank (in many cases a direct emanation of the state), and supervisory authorities, such as those responsible for overseeing financial markets and monitoring competition. To these must be added several international public bodies which are comparable, *mutatis mutandis*, to the state bodies mentioned above, including the European Central Bank (ECB), the Bank for International Settlements (BIS), the European Banking Authority (EBA), the International Monetary Fund (IMF), and so on. In the broad, varied landscape that emerges, the duplication of rules and interventions is not uncommon, making compliance even more complex and costly for individual banks.

The letter recently sent to the European Commission by the Directors-General of the Treasury of France, Germany, and Italy was well received, drawing attention to the relationship between the costs and benefits of banking regulation and supervision. The document addresses some of the most salient rules under consideration, particularly those relating to bank capitalization, highlighting the present need for greater international alignment from a competitive perspective. The letter also stresses that regulators should abandon the ambition to draw up overly detailed rules for measuring and limiting risks in their various configurations, an approach that makes it complicated and costly for banks to exercise adequate risk management (Carretta, 2024; Bank of Italy, 2025).

In reality, the measures mentioned above, adopted after the 2007-2008 crisis period, were largely intended to prevent or contend with banking crises, focusing efforts more on the structural and functional aspects of credit systems, and less on the interest of states and governments with regard to the impact of banking activity on the main economic and social dimensions of the communities where banks do business. This lack of attention to the territorial side of banking has already created major problems over the years in Italy, such as the collapse of the banking system in the South and the disappearance of many banks traditionally rooted in their home communities, such as cooperative banks. These institutions have left the market more or less voluntarily, almost always following acquisitions or mergers with banks with very different histories and ties with the territory. This has given rise to serious "banking desertification" phenomena.

These operations, which seemed to have come to an end, have recently returned to the fore, a trend emerging in other countries as well. The United States is an exception in this regard, where the number of bank consolidations and the related volumes of activity vary greatly depending on the size of the banks involved: very high in the case of large banks, but appreciably lower among small and medium-sized institutions, with a particularly marked decline in recent years (Arnold, Quinio, and Fontanella Khan, 2025).

BANK CONSOLIDATION POLICIES

An example of the opposite approach comes from China, where the government is committed to building a more robust and efficient banking system, capable of ensuring greater stability and better support for national economic and social development. Mergers are considered one of the main tools for this purpose and, not surprisingly, in the last two years these operations have involved about one-third of the total assets of the banking system, where about twenty companies closed their doors last year. As mentioned above, the government's role in this process has been fundamental (Leng and Ko, 2025).

But in Europe things are different. Mergers are no longer as straightforward as they used to be, especially with large banks based in different countries, which often face strong political opposition from local governments (Walker, 2024). It is difficult to provide a complete, up-to-date account of such opposition, but a few examples should suffice to clarify its nature, which presents entirely new aspects of the relationship between states, governments, and banks.

First of all, I would like to mention the case of Italy, where acquisitions and/or mergers between banks, especially large ones, have become topical again, arousing the interest of the government and producing results that are not always positive. The fear is that such operations could undermine market competition and support for the economy and society in the areas where these banks operate. There are also concerns about the possible consequences in terms of job losses, and the potential acceleration of de-banking, a phenomenon that should not be underestimated. The Italian government has always sought to protect its immediate interests in every thinkable way, but without ever examining the possible consequences of such operations on the financial and economic status of individual banks. These aspects are in fact the exclusive responsibility of the Bank of Italy. There has been some friction with the antitrust authorities. Nonetheless, despite imposing some restrictions, generally these bodies have always given the green light to the proposed operations, as have the supervisory authorities, in particular the ECB (Coben, 2025).

This approach is not unanimously supported. Case in point: Commenting on the current sale of state-owned shares in Monte dei Paschi di Siena to private investors, an article published in *The Financial Times* (2025) stated: "When European governments divest themselves of bank holdings, they must not only seek to achieve the maximum price. They must also consider financial stability, the protection of national champions, and the strategic sectors of the economy in which they operate, often overriding the principles of the free market" (Graziani, 2025).

THE UNICREDIT-BANCO BPM CASE

Probably sharing these views, but with reference to another dossier (specifically, the public exchange offer (PEO) launched by Unicredit on Banco BPM shares in April 2025), the Italian government changed its strategy. Unicredit was sent a letter signed by the Prime Minister pursuant to Decree-Law No. 21 of March 15, 2021, No. 21, concerning so-called "golden power," and imposing on Unicredit the following conditions, (among others):

- Do not reduce the loan-to-deposit ratio applied by Banco BPM and Unicredit in Italy for a period of five years, with the aim of increasing lending to households and domestic SMEs.
- Do not reduce the level of the current project finance portfolio of Banco BPM and Unicredit in Italy for a similar period of five years.
- Do not reduce the weight of Anima Holding's investments in securities issued by Italian entities and support the company's development.
- Cease all activities in Russia, including fundraising, lending, fund placement, and cross-border lending within nine months of the date of the decree.

Unicredit appealed to the Regional Administrative Court of Lazio to have the decree overturned, and the Court promptly responded with a ruling confirming its validity. Specifically, the Court deemed it legitimate as it referred to interventions in certain sectors of strategic importance for national interests and security (including the financial, credit, and insurance industries). This applied provided that the related activities are carried out by intermediaries with a turnover of at least € 300 million and an average annual number of employees of at least 250. Yet the same ruling judged some of the limits imposed on Unicredit in the Prime Minister's communication to be unlawful. Consequently, should the government decide to proceed, the communication will have to be reworded. The issue is undoubtedly crucial and complex, and its outcome is still uncertain. But for the purposes of this discussion, the most pertinent aspect is the recognition of the legitimacy of golden power and the fact that the government can use it, albeit in exceptional circumstances, to intervene in banking activities, influencing their development and structure in new ways.

A similar argument can be made for another intervention on this issue, namely the preliminary assessment sent by the European Commission to the Italian government on 14 July 2025. This document acknowledges the existence and legitimacy of the decree on golden power, but concludes that it has been used unlawfully, since the elements that would threaten national security listed in the communication sent by the government to Unicredit are not at all clear. Interesting to note is that this assessment (comprising 55 pages, in addition to the 68 pages of the Regional Administrative Court's ruling) substantially overlaps with the 68-page ruling of the Court. This serves to demonstrate that the relevant rules are too complex and detailed, providing further evidence to support the argument for simplification, as mentioned several times above.

In any case, the Italian government has reiterated on several occasions that the threat to national security underlying its decree is clear and indisputable, and is now is preparing to respond to the Commission in Brussels. For the purposes of this article, the outcome is secondary. What matters here is the government's recent interest in the evolution of banking and the new tool that will serve to guide it: golden power, a lever for public intervention. In this regard, however things turn out, there is one aspect that takes priority over the others. In fact, the whole affair has been a source of intense concern at Unicredit. In fact, even before the final sentences of the Regional Administrative Court and the European Commission were handed down, the bank decided to abandon the operation on the grounds that the uncertainties surrounding golden power make it no longer viable. I will not comment on this decision, but I would point out that it unequivocally demonstrates the intrinsic strength of golden power – and therefore the power of the government – which achieved its objectives in the case in question without any substantial difficulty.

THE NEW GEOGRAPHY OF BANKING POWER IN EUROPE

The situation is a complex one, as demonstrated by other aspects of the communication from the European Commission to the Italian government mentioned above, which also affirmed the exclusive competence of the ECB and national supervisors in matters of bank concentration. This was substantiated by the launch of infringement proceedings by the Commission against the Spanish government, which had imposed various conditions on the merger between BBVA and Sabadell, deemed contrary to freedom of capital circulation and establishment. In this case too, the outcome of the matter is not yet known and, although marginal to our purposes today, it reiterates the absolute need to streamline and clarify the rules governing banking activities. In fact, when it comes to sector governance, the power struggle is now more than obvious than ever and does not benefit anyone.

The Portuguese government is taking a similar tack to Italy and Spain in attempting to stop a bank merger. The reasons, though not clearly stated, appear to echo defending national security. The operation in question is the proposed acquisition of Novo Banco, the country's fourth largest bank, by the Spanish group Caixa Bank, which already owns Portugal's fifth largest bank. The Portuguese government stated that Spanish banks already control about one-third of the Portuguese system, and that greater dependence on foreign institutions is not in the country's best interests. To strengthen its position, which lacked adequate legal instruments, the government also threatened to block public funds to cover redundancies, subsidies granted at the time of the sale of the fifth largest bank. As a result, Novo Banco was sold to the French group BPCE-Natixis (Chaperon, 2025).

The protection of national interests was also considered vital in Switzerland, where the government required UBS to massively increase its capital. The country's largest bank, UBS is considered indispensable to the stability of the system, and development and employment in the Confederation. Such a measure, applied to a systemic bank such as UBS, inevitably sent sensitive political signals, especially in a country that recently had to bail out Credit Suisse, which merged with UBS to avoid a wider financial crisis. The issue has now even become the subject of debate in the federal parliament (Terlizzi, 2024; Ruehl, 2025). Commenting on the situation, the CEO of UBS expressed a critical opinion: "The European market needs consolidation, and narrow political preferences should not stand in the way. If an agreement were to fail because of national interests, it would be a very ugly chapter" (Bufacchi, 2025).

Most likely, these words referred not so much to the Swiss case just mentioned, but rather to the proposed acquisition of a significant stake in Commerzbank by the Unicredit group, which already owns about 30% of the German institution's capital and seems willing to acquire all the rest and then incorporate it. Unicredit, it should be noted, already owns HypoVereinsbank, Germany's third-largest bank. On this issue, the federal government has been very decisive, with Chancellor Merz sending a letter to Commerzbank employees stating that: "The federal government, as repeatedly emphasized publicly, is committed to a strong and independent Commerzbank." He added that: "The Unicredit Group's unfriendly and uncoordinated approach to Commerzbank is unacceptable… not least because it is a systemically important bank." Along the same lines, the German finance minister expressed his expectation that "Unicredit will abandon its takeover attempt; we are still aiming for an autonomous Commerzbank." In reality, national security issues are evident, and the government fears that Unicredit's entry into Commerzbank could lead to sizeable staff reductions, as was the case with the acquisition of HypoVereinsbank; the operation could also undermine support for domestic households and businesses (Jopson, 2025; Graziani, 2025; Jenkins, 2025).

Similar concerns also led the Spanish government to intervene in the BBVA/Banco Sabadell merger. After a series of discussions lasting almost a year and a half, culminating in an unusual public consultation on the appropriateness of the operation, the executive finally granted authorization, but imposed some particularly stringent conditions. These included maintaining the separate operating structures of the two banks for at least three years, with the possibility of extending the period to five years, and a ban on redundancies arising from the merger for the first three years. The Spanish government also got involved in the banks' operations and caused quite a stir in that country, to the point that BBVA is raising doubts about the legitimacy of the decision and considering legal action at the national and European level. The European Commission, as in the Italian case, has already expressed concerns around the matter[1]. In any case, it is interesting to note that Sabadell, pending the transaction, sold its British subsidiary TSB to the Santander group, raising - 3.1 billion. This sale is not officially linked to the transaction mentioned above, but it cannot fail to have an impact on it, not least because the deal has already enabled Sabbadell to pay out a hefty extraordinary dividend (Knot, 2025).

In a nutshell, what can we learn from what has been written so far about these new interventions by states and governments with regard to domestic banks? First of all, banks are special companies that play a prominent role in the economic and social development of their areas of operation. As such, they bear a heavy collective responsibility, as they are custodians of a significant portion of

1 TBS moves from UK shade to bask in new Spanish sun. (3 July 2025). *The Financial Times*; Sabadell, Barricades against BBVA: sells TBS, maxi coupon to shareholders. (2 July 2025). *Il Sole 24 Ore*.

the wealth of citizens, wealth which they continue to manage today, despite the many alternatives that have emerged in the meantime (especially in payment and investment systems). It is equally important to remember, despite all the innovations in the credit and financial markets, banks continue to make a vital contribution in supporting the development of the national economic, productive, and commercial system.

BETWEEN STATE INTERVENTION AND MARKET FREEDOM

It is therefore not surprising that the banking sector should be treated by states and governments differently and with much greater care than other industries, even at the risk of limiting its freedom of movement. This sensitive issue, on which there is no unanimous opinion, mainly concerns mergers and acquisitions of large banks, including international ones. These operations affect the consolidation of banking systems, which, in the opinion of some, should be left to the market alone.

The president of the Dutch Central Bank, for example, has stated that governments should not exercise "any regulatory role" and that "public officials should not actively dispose of financial instruments that they themselves regulate," as this could give rise to "unacceptable conflicts of interest." Issues relating to the consolidation of the banking system should, in his view, be left to the market. In other words, it would be up to bankers to "think about consolidation, both within countries and across national borders. A regulatory framework is needed to assess potential mergers on the basis of prudence and safety criteria and to ensure that no entities too big to fail are created in Europe. But, ultimately, it is up to bankers to decide" (Baer and Boero, 2025).

Personally, I believe there is some truth in this opinion; but I also consider the government interventions detailed above to be justified. Entrusting bankers with sole responsibility for bank consolidation would, in fact, bring fewer benefits in terms of healthy and balanced economic and social development, as opposed to imposing reasonable limits. These limits, which may vary from case to case, require compliance not only with the classic capital, financial, and economic aspects of the individual banks, but also within broader frameworks, especially of a social nature, characterizing the context in which they operate. In this regard, it is interesting to quote what the then Director General of the Bank of Italy, Vincenzo Desario, wrote back in 2001. In a broad reflection on the evolution and stability of financial systems, he observed that mixed economies or social market economies have never denied the autonomous function of the banker. On the contrary, although public intervention did initially produce degeneration and failure, in their original form, such actions served to fuel the reconstruction of the economy in the post-war period and the fuel prodigious development of the 1950s and 1960s (Desario, 2001).

A final consideration concerns the appropriateness of simultaneous interventions, albeit of a different nature, between direct state bodies such as governments, and supervisory authorities such as central banks. At first glance, one might think that there could be a potential duplication of roles and interventions, with the fear of some dangerous and even critical divergence in the judgments of the various institutions on the banks in question. In reality, this problem should not arise unless the parties end up encroaching on each other's competences, which would not affect the theoretical *validity* of a de facto joint intervention, but only the implementation. However, in the event of a conflict, given the hierarchical scale of the relevant substantive powers, government interventions would ultimately prevail over those of the supervisors. In relatively blunt terms, in such cases politics would prevail over technical considerations, which may or may not be to everyone's liking, but should come as no surprise.

But politics should not intervene in the governance of central banks, whose autonomy is one of the pillars of an equilibrium consolidated over the years that works rather well almost everywhere (Desario, 2001). Fortunately, there are not many attempts to reverse the situation. The exception is the now familiar case of the US, where the autonomy of the Federal Reserve System is not at all acceptable to President Trump. Indeed, the President is attempting to bring governance of the Fed directly under his control, even resorting to vulgar attempts to discredit and then force the resignation of the current governor, Jerome Powell, to then nominate someone within the Trump circle of trust. It is uncertain whether these efforts will succeed in the coming months, but as soon as Powell's term expires next year, the game will be over and the president's powers could become even greater than they are now, exceeding not only tradition but, according to many, even the limits imposed by the Constitution (Martin, 2025; Jones, 2025).

MANAGERIAL IMPACT FACTOR

- **Efficient, non-redundant compliance**: Map regulatory costs, eliminate duplications, and pursue simplification/harmonization (national-EU-international).
- **M&A with golden power in mind**: Assess political/regulatory risk ex-ante; prepare commitments on employment, SME lending, and operational continuity.
- **Proactive multilevel governance**: Maintain an engagement plan with the Treasury, central bank, supervisory authorities, Antitrust, ECB/EBA/BIS; anticipate regulatory revisions.
- **Expanded risk perimeter**: Include non-bank intermediaries and crypto in ICAAP/RAF, KYC/AML policies, and dedicated stress tests.
- **Territorial presence and inclusionsystems**: Monitor "banking desertification" after mergers; combine lean branch networks, local hubs, and digital channels to ensure service continuity.
- **Balancing stability and competitiveness**: Set guardrails (capital, liquidity, concentration limits) and "risk-adjusted" profitability targets, prioritizing sustainable growth over scale for its own sake.

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