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The cooperation between the Judiciary and the Banking Supervisory Authorities



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Università Milano Bicocca, 2026 March 31st

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**...to get started:
banking
supervision at a
glance**

**Why do banks
need to be
supervised?**



To instil confidence

The financial system is tightly knit. Its components are held together by confidence. The failure of just one bank could shake confidence in the system and jeopardise its integrity. Bank runs can quickly spread from troubled institutions to healthy ones, harming them in turn. Like dominoes, the fall of one bank can lead to the collapse of many more. Knowing that banks are supervised reassures both markets and depositors, reducing the likelihood of bank runs and other forms of financial contagion.

To safeguard an essential service

Banks provide financial services that we all use. We deposit our money with them, borrow from them, take out mortgages with them. We as individuals rely on them, as do households, businesses and governments. Banks enable the financial markets to function, thereby enabling economic activity.

To protect savers

Ordinary savers are not able to evaluate a bank's safety and soundness. They do not have access to the necessary information and perhaps lack the required background knowledge. Therefore, supervisors act in the public interest by regularly checking banks' risk culture and corporate governance, and by granting (or withdrawing) banking licenses.

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EUROPEAN BANKING SUPERVISION : THE SINGLE SUPERVISORY MECHANISM (SSM)

The **Single Supervisory Mechanism (SSM)** refers to the system of banking supervision in Europe. It comprises the ECB and the national competent supervisory authorities (NCAs) of the participating countries.

The ECB directly supervises the largest banks (**Significant Institutions**) while the smaller banks (**Less Significant Institutions**) are under national supervision.

European banking supervision is one of the two pillars of the **EU Banking Union**, along with the **Single Resolution Mechanism**

The main objectives



Safe and sound banks



Stable and integrated financial system



Consistent supervision of all banks



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112

SIGNIFICANT INSTITUTIONS
(DIRECTLY SUPERVISED BY THE ECB)

≈ 2,000

LESS SIGNIFICANT INSTITUTIONS
(SUPERVISED BY THE NATIONAL
AUTHORITIES)
15.4% OF TOTAL
BANKING ASSETS

(AS OF 1.1.2026)

16,1% **CET1
RATIO**

9,9% **ROE**

2,549 **SUPERVISORY
DECISIONS**

*ECB annual report
2024*

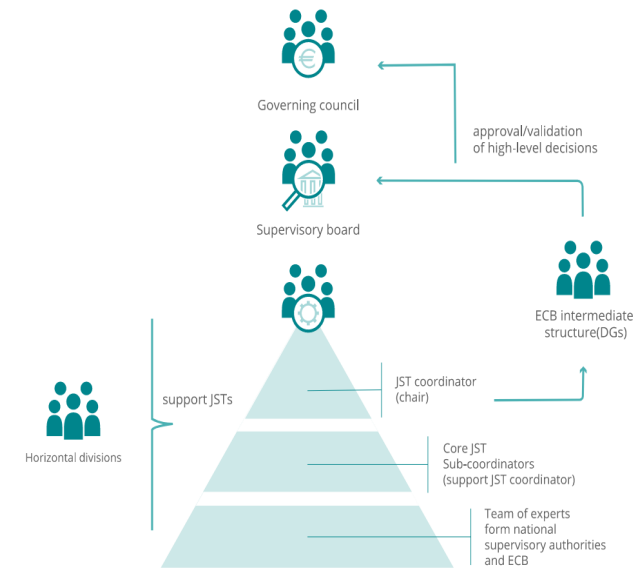
1,100 supervisors

More than 1,100 supervisors at the ECB

4,700 supervisors

More than 4,700 supervisors at national
authorities

The Single Supervisory Mechanism (SSM): Facts and figures



Joint Supervisory Teams (JSTs) are one of the main forms of cooperation between the ECB and the national supervisors. They actively foster a common supervisory culture and promote consistent supervisory practices and approaches.

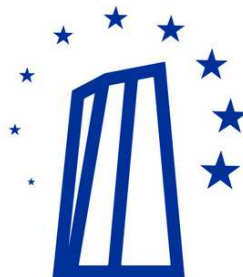
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The cooperation between the Judiciary and the Supervisory Authorities



**Why is it so important that
supervisory Authorities and the
Judiciary cooperate in the
performance of their duties?**

- ✓ **General shared interest to preserve legality as a condition of economic growth**
- ✓ **Fostering a compliance culture in the financial system is crucial to improve the effectiveness of the banking supervision**
- ✓ **Legal obligation to report suspected criminal offences to the competent Authority**



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✓ General shared interest to preserve legality as a condition of economic growth

✓ **Criminal activity acts like a tax on the entire economy:** it discourages domestic and foreign direct investments, it reduces firms' competitiveness, and reallocates resources creating uncertainty and inefficiency.

✓ The integrity of the banking and financial services marketplace depends heavily on the perception that it functions within a framework of high legal, professional and ethical standards. **A reputation for integrity is the one of the most valuable assets of a financial institution.**

✓ The (real or perceived) lack of integrity of a financial institution **may lead to a loss of confidence** by investors and depositors and ultimately to its financial crisis.

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✓ Fostering a compliance culture in the financial system is crucial to improve the effectiveness of the banking supervision



Core Principles for effective
banking supervision

https://www.bis.org/basel_framework/

*The supervisor determines that banks have adequate policies and processes, including **strict customer due diligence** rules to **promote high ethical and professional standards** in the financial sector and **prevent the bank from being used, intentionally or unintentionally, for criminal activities.***

BIS/ Basel Principle 29 – Abuse of financial services

In some jurisdictions, other authorities, such as a financial intelligence unit, rather than a banking supervisor, may have primary responsibility for assessing compliance with laws and regulations regarding criminal activities in banks, such as fraud, money laundering and the financing of terrorism. Thus, in the context of this Principle, **“the supervisor” might refer to such other authorities ... and in such jurisdictions, the banking supervisor cooperates with such authorities to achieve adherence with the criteria mentioned in this Principle.**

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✓ Fostering a compliance culture in the financial system is crucial to improve the effectiveness of the banking supervision

The Basel “Essential criteria” used for the IMF FSAP principles assessment further develop the principle:



- (1) Banks duty to report: “Banks policies and processes should include the **prevention and detection of criminal activity**, and **reporting of such suspected activities to the appropriate authorities**”.
- (2) Supervisors cooperating with judicial authorities: “**The supervisor, directly or indirectly, shares information related to suspected or actual criminal activities with relevant authorities**”.

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Supervisory Authorities:

wide range of powers and tools to timely intervene
to restore legality and sound and prudent
management



Interplay

between Judicial and Supervisory
authorities

Prevention of financial crimes

**Collection of information
deemed relevant for
institutional purposes**



**Sound and prudent
management of banking and
financial entities without
distortions caused by undue
criminal influence**

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Two-way information exchange

The Supervisory Authorities may **benefit from knowing the outcomes of the investigations carried out upon Supervisory Authorities' input.**

- Tailored supervisory actions
- Closer monitoring of certain intermediaries/specific phenomenon



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HOW COOPERATION WORKS IN PRACTICE

THE COOPERATION BETWEEN THE BANK OF ITALY AND THE INVESTIGATIVE AUTHORITIES

- a. **Reports of suspected criminal offences** detected in supervisory activities and information exchange with the regulated entities
- b. **Advisory activities and technical assistance** in the context of investigations
- c. **Training activities**
- d. **Cooperation and working arrangements**



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EPPO/SSM: an institutional comparison

	EPPO	SSM
Legal basis	Art. 86 TFEU Council regulation (EU) 2017/1939	art. 127(6) TFEU (attributing specific tasks to the ECB) Council Regulation 1024/2013
Legal nature	Body of the Union	The ECB is EU Institution (since the Treaty of Lisbon 2009) . The ECB shall carry out its tasks within a single supervisory mechanism composed of the ECB and national competent authorities
Independence	Institutional and personal independence	Institutional and personal

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	EPPO	SSM
Shared competence	«This Regulation provide for a system of shared competence between the EPPO and national authorities» (rec 13)	“This Regulation is without prejudice to the responsibilities and related powers of the competent authorities of the participating Member States to carry out supervisory tasks not conferred on the ECB by this Regulation” (art. 1).
Structure	<p>Central level (European Chief Prosecutor, Permanent Chambers and European Prosecutors)</p> <p>Decentralised Level (European Delegated Prosecutors)</p>	<p>Central decision making (Supervisory Board and Governing Council) and JST central coordinator</p> <p>JST NCA Local coordinators and staff</p> <p>NCA to prepare proposals for common procedures</p>

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	EPPO	SSM
Competence	<p>EU level: based on type of offence EPPO responsible for investigating, prosecuting the perpetrators of offences against Union's financial interests (as determined by the Regulation) with evocation procedure</p> <p>National level: all other offences</p>	<p>EU level:</p> <ol style="list-style-type: none">I. direct supervision based on distinction significant/less significant institutionII. common procedures for all banks (mixed proceedings) <p>National level: all other financial intermediaries/types of supervision</p>

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Upon EPPO's institution, any room to enhance cooperation?

(Article 99 EPPO REG.)

- The EPPO may establish and maintain cooperative relations with institutions, bodies, offices or agencies of the Union and with the authorities of Member States of the European Union which do not participate in enhanced cooperation on the establishment of the EPPO, the authorities of third countries and international organisations.
- In compliance with some limitations provided by law, the EPPO may directly exchange information with the entities referred above.
- The EPPO may also conclude working arrangements with the entities referred above with aim of facilitating cooperation and the exchange of information between the parties.

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*Around 5% of the offences investigated by the EPPO by the end of 2023 **involved money laundering derived from (...)** criminal offences that the EPPO is competent to investigate. (...) Criminals use underground financial systems to process transactions and payments away from surveillance mechanisms. (...) Suspects may launder the unduly obtained sums by transferring them to bank accounts of companies created abroad or managed by family members, potentially followed by withdrawing the money in cash. (...)*

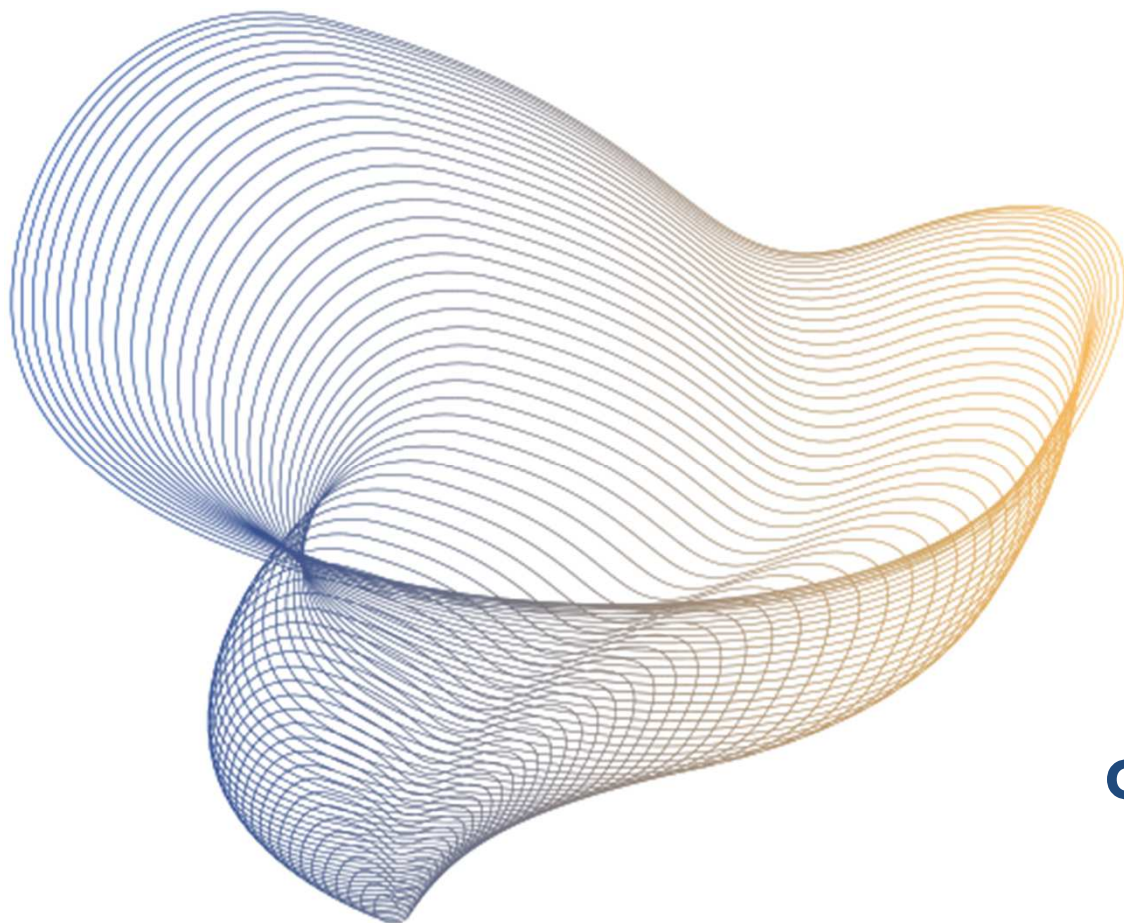
EPPO, annual report 2023

https://uif.bancaditalia.it/pubblicazioni/comunicati/documenti/Comunicato_protocollo_EPPO-UIF.pdf

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