European Labour Authority: Romanian Presidency reaches provisional agreement with the European Parliament

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The Romanian Presidency of the Council and the European Parliament today reached a provisional agreement on a Regulation establishing a European Labour Authority (ELA). The aim of this new body is to support member states in implementing EU legal acts in the areas of labour mobility across the Union and social security coordination. It will also provide information to employees and employers on complex aspects of cross-border labour mobility. The agreement will now be submitted to the member states representatives in the Council of the EU for endorsement.

> This agreement is another important step to ensure a well-functioning EU labour market. The ELA will provide crucial assistance to the national administrations in the implementation of the relevant Union legislation. At the same time member states will only take part in ELA's activities on a voluntary basis.
>
> *Marius-Constantin Budăi, Minister of Labour and Social Justice of Romania*

When adopted, the regulation will provide for the following main activities of the new body:

- facilitating access to information on rights and obligations in cases of cross-border mobility for employees, employers and national administrations;
- supporting coordination between member states in cross-border enforcement of relevant Union law, including facilitating concerted and joint inspections;
- supporting cooperation between member states in tackling undeclared work;
- supporting member states authorities in resolving cross-border disputes.

The future regulation provides for a two-step mediation process: the first stage will involve a mediator from ELA and representatives of the member states concerned and might end with the issuance of a non-binding opinion. If no solution is found, the member states involved can agree to a second stage of mediation, inspired by the Conciliation board of the Administrative Commission for the coordination of social security systems. When a dispute relates to social security coordination, any member state concerned may request that the case is referred to the Administrative Commission. The Administrative Commission, in agreement with the member states concerned, may present the same request.

ELA will also bring together the technical and operational tasks of several existing EU bodies (EURES European Coordination Office, Technical Committee on the Free Movement of Workers, Committee of Experts on Posting of Workers and the European Platform on Tackling Undeclared Work). The aim is to establish a permanent structure, which ensures a quick responsiveness and continuity. It shall achieve improved and more efficient results on the basis of a strengthened cooperation.

The seat of the ELA will be decided after the adoption of the legislative act.

Background and next steps

The Commission presented its proposal on 13 March 2018. On 6 December 2018 the Council adopted its position which formed the basis for the negotiations with the European Parliament. The provisional agreement will now be examined by the Council's Permanent Representatives Committee that needs to endorse it. The formal vote in both the Council and the European Parliament will follow at a later stage.

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Energy Union: Commission welcomes tonight's provisional political agreement to ensure that pipelines with third countries comply with EU gas rules

An integrated gas market is a cornerstone of the EU's Energy Union and a key priority of the Juncker Commission. Following the announcement by President Juncker in his 2017 State of the European Union speech, the Commission proposed common rules for gas pipelines entering the European gas market, on 8 November 2017. These rules aim at increasing security of supply and builds upon the solidarity dimension of the Energy Union.

The aim of the proposal is to improve the existing Gas Directive (2009/73/EC) and ensure that the principles of EU energy legislation (third-party access, tariff regulation, ownership unbundling and transparency) apply to all gas pipelines to and from third countries. Exceptions are only possible under strict procedures in which the Commission plays a decisive role.

Today’s agreement meets this aim. It ensures that the provisions of the Gas Directive are applied on EU territory (land and sea) and provides for effective oversight to ensure the application of EU internal market rules by the national authorities supervised by the Commission. It also enhances transparency and cooperation among competent national authorities. This is a major step towards a well-functioning, transparent and competitive EU internal gas market where all suppliers are acting under the same EU rules.

Commissioner Arias Cañete welcomed the agreement: “*This is a major step forward in the creation of a truly integrated internal gas market which is based on solidarity and trust with full involvement of the European Commission. Today, Europe is closing a loophole in the EU legal framework. The new rules ensure that EU law will be applied to pipelines bringing gas to Europe and that everyone interested in selling gas to Europe must respect European energy law. Together with the previously agreed rules on security of gas supply and Intergovernmental Agreements, Europe has given itself a strong set of tools to deal effectively and collectively with our external energy suppliers.*”

The new rules will increase competition between gas suppliers and increase energy security throughout the EU. Ensuring that all major gas pipelines to and from third countries are operated efficiently under a regime of transparent regulatory oversight will diminish conflicts of interests between infrastructure operators and gas suppliers, guarantee non-discriminatory tariff setting and provide legal certainty for future investment decisions.

Next Steps

Following this provisional political agreement, the text of the Directive will be prepared in all EU languages and will have to be formally approved by the European Parliament and the Council. Once endorsed by both co-legislators in the coming months, the new law will be published in the Official Journal of the Union. The Directive will have to be transposed into national law within 9 months.

Background

The European Union’s dependency on imported natural gas is growing. This trend is likely to continue due to falling domestic gas production while being only partly offset by falling gas demand due to energy efficiency and decarbonisation policies. The share of net gas imports as compared with the EU’s total gas consumption was 74.4% in 2017. The biggest gas importer to the EU is Russia (42%), followed by Norway (34%), Algeria (10%) and imported LNG (14%). Imports have increased over the last two years, driven by higher consumption, lower prices and falling domestic production.

For More Information

Questions and Answers on the Commission proposal to amend the Gas Directive (2009/73/EC)

DG ENER website: Commission proposes update do Gas Directive including links to the documents

Energy Union priority website

Sabine Lautenschläger: Risks to banks – from inside and out

Speech

Speech by Sabine Lautenschläger, Member of the Executive Board of the ECB, at the 14th Asia-Pacific High-level meeting on Banking Supervision, in Sydney, 13 February 2019

Ladies and gentlemen,

It is a pleasure to be here today! And not only because it allows me to escape the cold German winter, but also because this meeting allows us to share views from opposite ends of the world – views from Asia and Australia and views from Europe.

The crisis has shown how important it is to do just that. How important it is to be aware of what’s going on elsewhere, of how closely markets and market participants are interconnected. After all, a crisis that breaks out on one side of the globe can quickly spread to the other.

So, being aware is one thing. But the crisis forced us to go further; it forced us to join forces – not only in overcoming problems as they arose, but also in revamping the regulatory and supervisory framework afterwards. This happened at the global level – Basel III – and at the regional level.

In Europe, policymakers went further than anywhere else. At the height of the crisis, they decided to set up a banking union. The first step was to take banking supervision from the national to the European level. So, in 2014, the ECB became responsible for supervising banks in the euro area.

Has this worked out? I still remember that, back in 2014, I heard quite a few critical voices. Not everyone believed that European banking supervision would actually work. Four years later, this has changed. European banking supervision has been set up, it is running smoothly, and it contributes to making banks safer and sounder.

But it was quite some job, I can tell you. I remember the early days, when we were just a handful of people sitting in a half-deserted building in Frankfurt.

I remember how we began to hire staff – around 1,000 – for the ECB, and how we began to bring together the supervisors in national authorities, supporting them in adopting the new European supervisory approach.

I remember the comprehensive assessment we carried out on the banks that we would later supervise. We were like a start-up; we still are, in fact. We are constantly innovating, learning and growing together as a European team of supervisors.

And this European aspect is crucial. As European supervisors, we can take a higher vantage point; we can see and act across borders. As a national supervisor at the Federal Financial Supervisory Authority and the Deutsche Bundesbank, I supervised 20 large banks – all from Germany. In the SSM, we supervise around 120 large banks from across the euro area. You can imagine the greater depth of insight that we gain.

We benchmark all these banks against their peers; by comparing them we can more easily spot new trends, new risks and new vulnerabilities. We can clearly distinguish the nodes and links of the European banking sector. And see what works and what doesn’t – both on the banking and the supervision side.

Let me give you just one example. It’s no secret that European banks have a profitability problem. In analysing this problem, we benefited a great deal from our cross-country perspective. We could identify a number of banks that constantly outperform their peers, and we could assess the factors behind their success. This would not have been possible if we had looked only at a national sample of banks.

But now that I have lavishly praised the concept of European banking supervision, let’s turn to the banks and the risks they face.

And there are plenty of risks. Plenty of risks that interact in complicated ways. So, for brevity’s sake, I won’t address all the risks that exist but will focus on just a few. I will start with one of the issues that has, unfortunately, become a hallmark of the euro area banking sector: non-performing loans, or NPLs.

In early 2015, significant institutions in the euro area held almost €1 trillion worth of bad loans on their balance sheets and the aggregate NPL ratio stood at 7.5% on average. This average, however, masks big differences: NPL ratios ranged from around 1.5% in Luxembourg to more than 45% in Greece.

The banks therefore had a heavy burden to carry. After all, NPLs require special care and so tie up management resources. They also pose a higher risk of losses, require provisions, tie up capital and affect lending. Their effect on lending is what makes NPLs a problem that reaches beyond the banks.

The euro area economy mostly relies on banks as a source of credit – much more so than many other economies. This is particularly true for small and medium-sized enterprises, which form the backbone of the economy. In the EU, SMEs account for more than 50% of value added and more than 60% of employment. Altogether, 99% of all enterprises are small and medium-sized.[1] The three most important sources of financing for SMEs are bank loans, leasing and credit lines.[2] So they do rely heavily on banks.

This makes them somewhat vulnerable. In crises, banks tend to charge higher premiums when lending to SMEs. And, as an ECB study shows, this premium is in turn partly driven by the amount of NPLs on a bank’s balance sheet.[3] The more NPLs a bank holds, the less it lends to the economy.

So, it was clear from the start that NPLs were not just a problem for banks and their supervisors. Other national and European authorities had to act as well.

As for us supervisors, dealing with NPLs is a core task! We benefited from our European point of view, from being free of national traditions. We drew, for instance, on the experience of countries such as Ireland which had already successfully dealt with NPLs.

And we were able to compare and draw lessons from the different legal and judicial environments in 19 countries. Building on all these insights, we developed a harmonised European supervisory approach for tackling NPLs. This was not easy, though, as we met with considerable pushback.

But we nevertheless moved ahead. After first taking stock, we pursued a two-pronged approach from 2015 onwards: first, directly addressing legacy NPLs;

second, preventing new NPLs from piling up.

On this basis, we devised a harmonised approach that rests on three pillars.

The first pillar is qualitative guidance to banks on how to develop and implement strategies to reduce NPLs. These strategies should contain targets for reducing NPLs at the portfolio level over a three-year horizon. But our guidance simply outlines best practices in devising the strategies and lists tools for implementing them. As no two banks are alike, each bank needs to pursue an individual strategy and meet individual reduction targets. It goes without saying that we diligently monitor their progress.

The second pillar is a quantitative addendum to this guidance, in which we specify our supervisory expectations for the provisioning of new NPLs. These expectations depend on the extent to which NPLs are secured. For fully unsecured exposures and unsecured parts of partially secured exposures, we expect banks to achieve 100% coverage within two years after a loan has been classified as non-performing. For secured NPLs, the limit is seven years.

The third pillar is a framework to address the stock of NPLs. Within this framework, we formulate, for each bank, our expectations regarding the provisioning of legacy NPLs, bearing in mind the general expectations on provisions that I just outlined.

Our assessment of each bank's implementation of our qualitative and quantitative guidance is part of our bank-specific Supervisory Review and Evaluation Process, or SREP for short.

At the same time, an action plan to tackle NPLs was developed at the political level. This plan set out the need for action in three areas: first, banking supervision; second, insolvency and debt recovery frameworks; and third, secondary markets for distressed debt.

And since 2015, we have made real progress in bringing down the level of NPLs. The volume of NPLs has declined by almost €400 billion since that year. The average NPL ratio now stands at just over 4%, around €600 billion in absolute terms. So things are improving significantly, but there is still some way to go.

NPLs are among the biggest challenges facing banks in the euro area; it is essential that banks complete the clean-up of their balance sheets as long as the sun is shining.

But banks and supervisors cannot focus solely on the past, on legacy assets. We must also look to the future and watch out for the risks that are still beyond the horizon or just appearing on the horizon.

While I have just praised the banking union as a major step towards a united Europe, one country is about to take a step in the opposite direction. Brexit is about to happen – or so it seems. The official date for the United Kingdom to leave the European Union is 29 March 2019. As of today, however, it is still unclear how this will happen – if it happens at all. The worst scenario would be a Brexit without any agreement between the United Kingdom and the EU on their future relationship.

Despite all the uncertainty, one thing is clear: Brexit will change the shape of the European banking sector. In the first place, the large number of banks that are located in the United Kingdom and do business in the EU will have to find new ways of accessing the European market after Brexit.

And this is relevant for us supervisors, of course. Over the past two years, we have clearly set out what we expect from banks relocating to the euro area. We have published information on our website; we have talked about the issue in interviews and speeches; and we have had intense discussions directly with the banks. We have urged and pushed them to prepare for all potential outcomes of the political process. At present, most banks relocating to the euro area have made reasonable progress in preparing their move.

But it’s not just banks located in the United Kingdom that will be hit by Brexit. Euro area banks rely, for instance, very much on central counterparties, or CCPs, in the United Kingdom to clear derivatives. With Brexit, they might lose access to these services, and this might disrupt their business and the markets, and in turn threaten financial stability. The European Commission has acknowledged the problem and plans to take temporary measures to preserve access. While this is certainly good news, it is merely a stopgap. There is no time to relax; there is just a little more time to prepare.

Now, Brexit at least offers an opportunity to think about CCPs and concentration risk in more general terms. The market for clearing is highly concentrated. While I do see the benefits in terms of efficiency, I also see the risks. And this is something we definitely need to discuss.

I have now focused on two challenges that are more or less European: NPLs and Brexit. There are, of course, many more challenges, and these affect banks not only in Europe but worldwide.

There are geopolitical uncertainties, for instance. It seems that nationalism and, thus, protectionism, is on the rise. In the long run this will hurt the economy and everyone will be worse off, including those who appear to benefit from protectionist measures at first glance; the current trade tensions are a case in point.

Then there are financial market risks. Interest rates are low and liquidity is still abundant and cheap, but these conditions will not last forever; there is the risk of a snapback in markets.

At the same time, technological progress might change the business of banking and the structure of the sector. This could be an opportunity; but it may also be a risk if banks fail to adapt.

Ladies and gentlemen, banks have to deal with many risks these days. And while it seems that the risks have grown, it should be clear that risks are an inherent part of a bank’s business. In fact, what distinguishes a good bank from a bad bank is how it deals with risk.

And in this regard, the enemy all too often comes from within. After all, banks are managed by people. And people make mistakes from time to time; they are often biased when taking decisions under uncertainty and some people have skewed ethics. The result can be bad risk management or even outright misconduct. Neither is acceptable and each can damage the reputation of a bank, drive away its customers and diminish its capital. Each can bring down a bank and harm others.

For policymakers, issues of misconduct can bring additional challenges. Money laundering is a good example. Recent cases have shown that it often reaches across borders and requires different authorities to act. In Europe, national authorities are in charge of anti-money laundering, AML for short. The ECB has no AML mandate, but as European banking supervisors we also have to take relevant risks into account. We do so, for instance, when we assess acquisitions of qualifying holdings, or when we assess whether banks' managers are fit for their jobs.

Prompted by the recent scandals, European policymakers have now taken several initiatives, one of their aims being to strengthen the cooperation between national AML authorities and European banking supervisors.

For instance, new European legislation provides that the ECB and national AML authorities exchange relevant information. To better integrate findings from national AML authorities in prudential supervision, ECB Banking Supervision is setting up an AML coordination function which will have three main roles: to handle interactions with national AML authorities, raise supervisors' awareness about money laundering risks in banks, and be a centre of expertise on prudential AML topics.

But AML is just one example. More generally, good governance, with the right checks and balances in place, can keep such problems from emerging. Governance has been neglected by regulators and supervisors for far too long. I see it as a crucial topic for the years to come.

For European banking supervision, governance is a key issue – and has been from the very beginning. The quality of a bank's governance is one of the four pillars of our SREP. How could we judge a bank to be safe and sound without assessing its governance framework?

As part of our SREP, we also assess the banks' risk appetite frameworks, their RAFs. We look at whether banks are fully integrating the policies, processes, controls, systems and procedures set out in their RAF into their decision-making processes and their risk management. We also assess whether their RAF is aligned with their business plans, strategies, capital planning and remuneration schemes. Easier said than done, as I'm sure you know.

We do not look at banks in isolation. As I just mentioned, benchmarking is a key supervisory tool. We carry out horizontal analyses on a host of issues, including governance, which was the subject of a thematic review we published in 2016.[4]

However, all of this is still work in progress – for supervisors and for banks. That banks are not yet where they should be becomes clear when we look at the recent scandals in the headlines: money laundering, tax evasion, manipulation of rates and prices – you are no doubt familiar with these cases. They are not confined to a single region, nor to a single bank. While good governance can take banks a long way in behaving responsibly, we have to dig deeper.

Ultimately, ethical behaviour is either helped or hindered by a bank's culture. So we do not want to see a culture that tolerates misconduct or even encourages it. But it is not in a supervisor's power to shape a bank's culture. Ultimately, the onus is on the banks and their stakeholders to bring about a cultural shift.

The first step is to understand that staying in business for the long term is more important than ramping up profits in the short term. In that sense, a good reputation is worth more than a dodgy deal – no matter how much profit that deal promises.

Shareholders, too, should focus more on the sustainability of a bank's business model, and thus their investment, and less on receiving as high a dividend as possible in the short run.

This understanding is only the first step. The culture of a bank is shaped both ways, top-down and bottom-up. The management of a bank plays an important role in setting the tone and defining expected behaviour. But this is not enough. When it comes to culture, action speaks louder than words. Staff will take the behaviour of management as a cue of what is acceptable and what not. Managers have to lead not only by words but by example.

Incentives are another important point. Staff will know which behaviour earns them a bonus or gets them promoted. That's why European banking supervisors assess remuneration schemes, including the extent to which integrity matters in promotions. More generally, integrity is one of the five criteria we apply when conducting fit and proper assessments of potential bank managers.

And this is key. Culture tends to be self-perpetuating, because people with certain values tend to hire people who hold the same values. Breaking this cycle is difficult, but necessary. But simply hiring people with different values and perspectives will not suffice. They then must be encouraged to speak up – to call foul when necessary. Here, we supervisors can help again. The ECB has set up a breach-reporting mechanism through which whistle-blowers can share information with us. Last year, we received more than 120 reports, an increase of about 40% from 2017.

So, there are things that can be done, but we should not expect miracles. Culture is a sticky thing that tends to change very slowly. I am sure it will keep us busy for some time to come.

Ladies and gentlemen,

This is it; this is how the banking world looks from a European point of view. Banks have become more resilient over the past years, but they still face a number of risks and challenges. Some of these risks and challenges are indeed European, but some are global in scope. And a number of risks are universal in the sense that they emerge from within a bank: weak governance, bad risk management, unethical behaviour. So plenty of work lies ahead for banks and supervisors.

But for now, I am looking forward to listening to you, and to discussing our thoughts and ideas.

Thank you for your attention.

Speech by Vice-President Jyrki KATAINEN on behalf of President Juncker at the Plenary Session of the European Parliament on the debate on the Future of Europe with Giuseppe Conte, President of the Council of Ministers of Italy

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President Tajani,

Il Presidente del Consiglio Conte,

Honourable Members,

Italy holds a very special place in the heart of our Union. It has given Europe so much and has been there from the very start, shaping our Union every step of the way.

It was Spinelli and Rossi, imprisoned on the island of Ventotene, who set out their dream of a “Free and United Europe”.

They called on the nations of Europe, so long adversaries, to come together to ensure that the mistakes of the past would never happen again.

After the war, De Gasperi became one of the great pioneers of European unity.

And in 1957, it was on the Capitoline Hill that the Treaty of Rome was signed and our Union was born with six founding Member States.

Sixty years on in 2017, it was once again on those same steps in Rome that the Leaders of our Member States stood side-by-side to renew their vows for our Union. This time there were 27 of them from right across our Continent – a sign of how far we have come.

I say this because Italy's special history is one of the many reasons that it has such a unique and important place in our Union.

But I also say this because it shows that Europe moves forward – that Europe is at its best – when it has Italy and the Italian people at its beating heart.

This history must serve as a guide and as a reminder for our future.

To build a successful future for our Union, Europe needs a strong Italy at its heart, just as a strong and vibrant Italy needs a strong Europe.

We must build our common future together, in unity and in solidarity.

Always working with – and not against – each other. Talking with each other and not about each other.

And when it comes to building a true Union of solidarity, Italy is the best place to start.

It is where the European Solidarity Corps started its work, to help Italy rebuild following the tragic earthquakes it suffered in 2016.

230 young Europeans volunteered in Umbria and across the regions hardest hit, in addition to the 1.2 billion euros of financial support provided to Italy under the EU Solidarity Fund.

We all have seen the images of young volunteers from all over Europe helping to rebuild the ancient and beautiful church of Norcia.

This is the solidarity that builds our European Union today and that must continue to build our common future.

Italy itself has shown that same spirit countless times over the years.

President Juncker said it many times: Italy is one of those who saved Europe's honour in the Mediterranean at the height of the migration crisis.

And the truth is that some others were too slow to support the efforts of the Italian people.

But it is also true that Europe stood up and supported Italy in every way that it could.

Since beginning of the migration crisis to the end of 2018, the Commission made almost 950 million euros available to support migration and border management in Italy.

This includes 225 million euros in emergency support to fund border surveillance and search and rescue operations, to improve reception facilities, and to support all of the authorities and people on the ground.

Europe has been there for Italy.

And we should not forget Operation Sophia or the role of the European Border and Coast Guard: saving lives at sea is a joint effort. And here again, we need Italy.

Prime Minister,

It is also clear that Europe still needs to overcome its differences and find sustainable and responsible solutions. We can no longer rely on ad-hoc solutions.

We have come a long way since the peak of the crisis, with arrivals down by over 97% in the Eastern Mediterranean and 80% in the Central Mediterranean. 700,000 lives have been saved at sea.

But clearly we now need to finish the job and conclude the necessary reform of our asylum system. The Commission has put everything on the table and it is now time to move ahead. We need the full engagement of Italy if we want to succeed.

Honourable Members, Prime Minister,

Europe stands for peace and prosperity and we are all responsible to defend its value together. This is what we must start doing today.

That means deciding what we want Europe to achieve. And it means deciding where to invest, to have the biggest impact on the daily lives of Italians and all Europeans.

This is why last May the Commission put forward a fair modern and balanced budget for our future. A budget that is more efficient and more focused on the issues that matter the most to our people.

For instance, the Commission has proposed an almost three-fold increase in funding for migration and security to reach nearly 33 billion euros. And an increased, simpler, more effective and more flexible EU budget for external action will help build partnerships with countries in our neighbourhood and beyond.

This will be especially important for Italy as a country that has taken so much responsibility in this area.

We will invest in making our economies more competitive, more innovative and productive. Key for Italy will be the 50% increase in funding for research and innovation and the 9 billion euro Digital Europe Programme that will support Italy’s digital transformation.

Investing in our future also involves investing in human capital – through education and training.

This is why the Commission has proposed a doubling of the budget to 30 billion euros for the Erasmus programme – the EU’s flagship for learning mobility. We aim to increase support to all sectors, including Higher Education as well as Vocational Education and Training. In 2017, more than 65 000 Italians participated in Erasmus programmes.

In the next Multiannual budget, we will build on the success of the Investment Plan for Europe, the so-called Juncker Plan. Italy is one of the largest beneficiaries of the Plan with close to 58 billion euros of investment triggered in Italy’s economy and over 215,000 small and medium-sized businesses supported.

The Juncker Plan has increased significantly private investment, but also public investment in Italy. It’s a positive sign because we should not put too much burden on the taxpayer, if private liquidity is available.

That investment is making a real difference on the ground, right across Italy:

70 million euro is helping to refurbish the local hospital in Treviso.

200 million is going into upgrading Puglia’s water network to improve quality and access to clean drinking water for more than 4 million people.

And 500 million euro is supporting the rolling out of high-speed internet so that 7 million more households in Italy benefit from quality broadband access.

The new programme for the next budget, InvestEU, has the potential to go much further, by triggering altogether 650 billion euro of investments.

All of this can and will make a real difference on the ground in Italy and across our Union. This is especially true at a time when economic growth is becoming harder across some of the major European economies – partly down to global uncertainties but also because of domestic challenges and choices.

Economic growth needs confidence amongst households and investors. Trust is like oxygen – you notice it only when it is running out.

Uncertainty is a poison that seriously hampers jobs and growth. Italy’s growth has been weaker than the Eurozone average for many years. This is a structural problem. Weaker growth means fewer jobs for the Italian people.

At the same time, and I say it at every occasion, Italy is among the most creative economies in the world. The future of your country is in your hands: do what is necessary to unleash this creativity and offer a brighter future for the Italian people.

Honourable Members, dear Prime Minister,

It is now two years since we presented the White Paper on the future of Europe which kick-started the debate we are having now on what we want our Union to achieve in the years ahead.

The five scenarios showed different possible paths that we could decide to take.

But whatever we choose there are some things that are constant – and one of those is Italy's central role in building our Union.

Europe needs a strong Italy. Italy needs a strong Europe.

It was no surprise or coincidence that the first lines of the White Paper were about Spinelli and Rossi's manifesto.

So, as we look to our future, we should all inspire ourselves from those that have gone before us to build a stronger and more united Union for generations that follow – just as they did for us.

Thank you very much.

Judicial cooperation across borders crucial for successful confiscation of criminal assets

12 February 2019

In a new report published today, Eurojust, the European Union's Judicial Cooperation Unit, takes an in-depth look at the experience on the ground in cross-border asset recovery investigations in the European Union between January 2014 and March 2018. The report is a practical guide for prosecutors and investigative judges around the European Union working on criminal financial investigations, explaining how to follow the money and subsequently freeze, confiscate and recover the assets.

Transnational criminal networks have one thing in common: money. Most criminal activity is profit-driven and all criminal groups need resources to finance their activities. Tracing, freezing and confiscating money that has been acquired by breaking the law is therefore a strategic priority in the EU's fight against organised crime.

To be successful in asset recovery, judicial authorities and police need to work effectively across borders. Criminals exploit loopholes within the European Union to move their assets and try to avoid freezing or confiscation orders. Financial investigations therefore often have a cross-border element and are often only one of the many aspects of a criminal case.

The detailed analysis of cases referred to Eurojust in the period 1 January 2014 – 31 March 2018 that is presented today is a practical guide for prosecutors and investigative judges around the European Union working on these cases. It identifies best practice and shows how to overcome common problems. The report outlines how Eurojust offers various types of practical support, including:

- **Helping judiciary and police to quickly identify the competent national authorities, and assisting in speeding up the execution of different asset recovery measures**

  In one case, Eurojust's legal assistance made the arrangement of an urgent execution of a freezing order of approximately EUR 26 million possible in less than 24 hours, which prevented the illegal profits from being transferred to other bank accounts.

- **Extensive support to complex investigations, including the setting up of joint investigation teams and the organisation of coordinated action days**

  In 2014, Eurojust supported the cooperation and coordination of criminal and financial investigations in Italy, Malta, Romania, Czech Republic, the UK, Germany and Greece in a large-scale fraud case. Eurojust set up a coordination centre for the national authorities of the involved Member States, as well as OLAF and Europol, to coordinate joint action and simultaneously execute 61 searches and 43 freezing orders in a number of Member States. As a result, more than EUR 2.8 million in criminal proceeds was recovered.

- **Contacts beyond EU borders to mobilise the participation of foreign judicial authorities**

  In a bribery case involving state-owned licences to access the telecommunications market in Uzbekistan, Eurojust organised coordination meetings between the eight States involved, including both EU and non-EU participants, to enhance cooperation on parallel investigations, and facilitated the meetings between Uzbek representatives and national authorities of the Member States to build mutual trust and understanding. As a result of this exchange of information and Eurojust's coordination support on joint action between the participating Member States, liaison prosecutors, and contact points in third States, more than EUR 1.2 billion in assets was frozen in 12 countries.

The asset recovery process has four stages *(click on image to enlarge)*:

(1) Asset Tracing. Tracing of assets is the process by which investigators 'follow the money' by examining the revenue generated by criminal activity and following the revenue trail. The faster the tracing of assets derived from crime, the more effective the freezing, confiscation and recovery of criminal profits can be.

(2) Asset Freezing. Freezing of assets means temporarily retaining property, pending a final decision in the case. It prevents the assets from being destroyed, transformed, removed, transferred or disposed of before the case is closed.

(3) Asset Confiscation. Confiscation of assets stops the criminals from accessing the property, which is permanently taken away.

(4) Asset Disposal. Disposal of assets is the actual recovery of the criminal assets. The confiscated assets can revert to the State or be returned to the victims of crime.

In 2018, the EU agreed on new rules concerning the mutual recognition of freezing and confiscation orders (Regulation on mutual recognition of freezing orders and confiscation orders).

The new rules will apply to the Member States bound by it as from19 December 2020 and will introduce a single regulation covering freezing and confiscation orders, directly applicable in the Member States and based on the principle of mutual recognition. The new regulation will complement the 2014 directive on the freezing and confiscation of instrumentalities and proceeds of crime.