Pills

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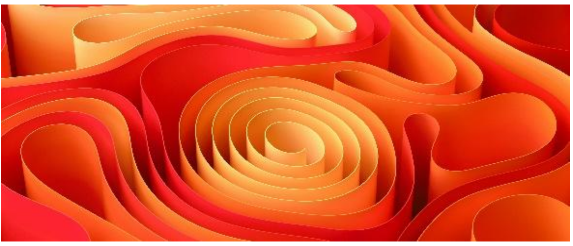

TOPICS:

Banking System

SOURCE:

European Central Bank

ECB: Trust Is the Infrastructure - Banking Supervision in a Changing Risk Landscape

- In her June 2026 speech, **Sharon Donnery**, Member of the ECB Supervisory Board, argues that **trust is a critical infrastructure of the banking system**, and that banking supervision must evolve to address a more complex and interconnected risk environment while preserving financial resilience.
- She emphasises that European banks currently enter this period from a position of strength, supported by robust capital, liquidity, profitability and asset quality. However, current indicators should not lead to complacency, as **future risks may emerge through non-linear interactions** between geopolitical tensions, trade fragmentation, energy shocks, market repricing, non-bank financial vulnerabilities, private credit growth, and cyber threats.
- The speech highlights **geopolitical risk** as a cross-cutting driver of traditional banking risks, affecting credit, market, liquidity, operational and governance risk channels. Particular attention is given to the **growing interconnectedness between banks and non-bank financial intermediaries, expanding private credit markets**, and increasing **dependencies on technology providers and digital infrastructure**. **Cyber resilience and AI-related operational risks** are identified as key supervisory concerns.
- Donnery argues that the response to greater complexity should not be weaker regulation, but **more effective, risk-based and forward-looking supervision**. She stresses that Europe's growth challenge is fundamentally a productivity challenge and that prudential deregulation cannot substitute for structural reforms, innovation and investment.
- The ECB's supervisory reform agenda therefore focuses on **streamlining processes, improving risk prioritisation, enhancing supervisory effectiveness and making better use of data and technology**. The objective is to simplify supervision operationally while maintaining strong prudential standards and preserving the trust that underpins financial stability and economic growth.