

# The Fire Power of the Financial Lobby

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A Survey of the Size of  
the Financial Lobby at the EU level



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# Executive Summary:

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The enormous influence and destructive power of financial markets became apparent with the global economic collapse of 2008 which fuelled a financial crisis from which Europe has yet to recover. These events revealed the dire need for stronger rules on financial markets. But reform has proved difficult, not least due to successful campaigns waged by the financial lobby in the European Union: its “fire power” in resisting reforms it dislikes has been all too evident with issues such as banking regulation, derivatives, credit rating agencies, accounting rules, and many more.

The findings are stunning. In total the financial industry spends more than €120 million per year on lobbying in Brussels and employs more than 1700 lobbyists. The financial industry lobbied the post-crisis EU regulation via over 700 organisations and outnumbered civil-society organisations and trade unions by a factor of more than seven, with an even stronger dominance when numbers of staff and lobbying expenses are taken into account. In sum the financial lobby is massively outspending other (public) interests in terms of EU lobbying, by a factor of more than 30.

In the course of our survey we always took the most conservative numbers, in order to result in a safe estimate. The actual numbers are likely to be far higher. This underestimate is also due to the lack of a mandatory register at the EU level that provides reliable information for a proper monitoring of industry lobbying.

Finally, a look at the presence of the financial lobby in the EU’s official advisory groups that help shape policy shows a massive dominance, in that 15 of 17 expert groups that we included in the research were dominated by the industry.

In sum, the financial industry lobby commands tremendous resources and enjoys privileged access to decision makers. Considering the failure to address some of the root problems at the heart of the financial crisis, and the negative impact of the crisis on European citizens, this situation represents a severe democratic problem that politicians must act on swiftly – not least, to avoid a repetition.

**Despite this manifest presence of “the financial lobby”, until now there has been no comprehensive survey of its size and power in the EU.**

**This report is intended to fill that void.**

# Introduction

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Recent decades have seen the power of the financial markets unfold and grow exponentially, both at the national, European and international level. The public has a right to demand that our politicians ensure that the financial sector is not able to repeat its mistakes. But the financial lobby is a major obstacle to effective regulation.

The enormous influence and destructive power of finance became all too apparent when global markets collapsed in 2008 and fuelled a financial and economic crisis from which Europe has yet to recover, deeply affecting millions of people, many of which have been thrown into long term unemployment, or into poverty. In response to the crisis, EU member states spent about 1.6 trillion Euros in bail-out packages, converting private debt to public debt. As a consequence, a wave of austerity has been unleashed, crippling social expenditure and public services across Europe.

The public has every right to demand that effective steps are taken to avoid a repetition of the crisis, and that reforms are carried out that lead us towards an effective, democratic control of financial markets. For these reasons, regulation of the financial sector has been a hot issue in the European Union for more than five years now. The promise of the European Commission, of member state governments and of EU parliamentarians when the crisis broke was to give the EU rules on financial markets an overhaul. A comprehensive reform agenda was presented, in that all key pieces of EU legislation in the field were to be reviewed, and new laws were to be adopted.

But in practice this reform has proved to be extremely difficult. Different interests between member states, and different visions of political groups in the European Parliament made financial reform a contested area. And last but certainly not least, the relative failure of the reform process showed the tremendous strength in Europe and in the EU institutions of the financial lobby – the lobbyists for the interests of banks, investments funds, insurance companies and others. The strength of the financial lobby – whose interests ran against such reform – has made it very difficult

to adopt effective regulation in many fields. For example, currently one of the main targets of corporate lobbying from the financial sector is the Financial Transaction Tax, which they oppose.

As the Commissioner for taxation Algirdas Šemeta once said, the financial lobby is “probably the most powerful lobby in the world”,<sup>1</sup> and certainly in Brussels its fire power has been made all too obvious in the failure to create effective regulation in areas such as banking, derivatives, credit rating agencies, accounting, and many more. But just how powerful is it?

Until now there has been no comprehensive survey on the size and power of the financial lobby in the EU.<sup>2</sup> We therefore decided to map the field of financial lobbying in the EU and to assess the different opportunities lobbyists have for access to decision-makers and political processes. In this case, mapping implies counting as well as listing financial industry organisations, their lobbying expenses and the number of lobbyists at their disposal.

We intend to answer five separate questions:

- \* How many entities (financial institutions, associations and other groupings) are part of the financial lobby that attempts to influence EU rules?

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<sup>1</sup> See: <http://www.examiner.com/list/fft-on-computer-traded-derivatives>.

<sup>2</sup> Similar efforts have been conducted by The Bureau of Investigative Journalism (<http://tinyurl.com/p6hrxyw>) regarding the financial services lobby in the UK and Finance Watch regarding a part of the total registered financial lobbying organisations.

- \* How much does the financial industry spend on lobbying in the EU per year?
- \* How many paid lobbyists are working to influence EU rules on behalf of the private financial sector?
- \* How strong is the presence of the financial lobby in the advisory bodies of the European Union?
- \* Who are the most active financial industry lobbyists and how are they connected to other industry trade bodies and public affairs consultancies?

Taken together, the answers to these questions will show the strength – the “fire power” – of the financial lobby. And the questions will, in the main, be answered in separate chapters.

In chapter 1, we begin by showing how we found the financial industry lobbyists for our dataset, e.g. which specific institutions and influence opportunities we looked at, and how many entities form part of the financial lobby. Also, we produce numbers of organisations by sector, the balance between lobby groups (financial industry vs. civil society) and the national origins of lobby organisations.<sup>3</sup>

In chapter 2 we produce an estimate of the total expenses of the financial lobby, and use this figure to identify the number of lobbyists currently at the disposal of the financial sector.

In chapter 3 we turn to the advisory bodies of the EU institutions – in the European Central Bank, the European Commission and of the financial supervisory agencies.

Here, we analyse the presence of representatives of the private financial sector.

In chapter 4, we take an in-depth look at the ‘big players’ in the field of financial lobbying and their networks to industry trade bodies and consultancies.

In our conclusion, we sum up our findings and indicate how significant they are in terms of assessing the strength of the financial lobby in the European institutions.

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<sup>3</sup> In all cases, the text on our methodology is relatively brief. For a more comprehensive walkthrough of our methods, a detailed methodology and our dataset are available upon request.

# 1. Who is the Financial Lobby – and how many entities belong to it?

This chapter identifies the number of organisations and personnel that work for the financial lobby in order to influence decisions that affect them being made by EU institutions.

In this chapter we show how and where we looked for lobbying activities that influence EU decision-making on financial regulation. This is illustrated with a ‘map’ of the main EU institutions that are entrusted with financial market regulation in order to show where the points of lobbying intervention might be. We identify which entities are lobbying at different stages of the policy-making process; and whether the EU institutions grant privileged access to specific actors or rather try to enhance balanced interest-representation, and we are able to quantify this.

Over recent years, it has been all too obvious that when necessary, a lot of people representing the financial sector’s point of view are sent out to knock on politicians’ doors. For instance, three members of the UK Conservatives in the European Parliament are members of the European Parliament Committee on Economic and Monetary Affairs, and thus deal with the regulation of financial markets. In the first six months of 2013 alone they had over 100 meetings with financial industry representatives. Similarly, in the first half of 2013, the total group 25 UK Conservative MEPs that disclosed their meetings in a ‘lobby-list’ on their website<sup>4</sup> met with 74 different financial industry organisations and related public affairs and law firms. The whole range of financial market regulation in the EU was discussed, from

recovery and resolution of banks in trouble to derivatives trading and taxation. Amongst the most active organisations in these lobby meetings were not only industry associations, but also individual corporations like JP Morgan (7 meetings), Citigroup (4 meetings) and Goldman Sachs (3 meetings).

But this is just a small part of the picture. What we wanted to know was how many entities and how many lobbyists are at play as a whole in the EU. For each European institution, different numbers and different types of lobby actors can be identified. Hence, for our total dataset, the number of lobby organisations grew with every further research step that we included.

This kind of information should actually be readily available as the Commission and the European Parliament now have a “transparency register” for this very purpose: to allow citizens to see what groups are lobbying, on what issues they are lobbying, and what amount of money they spend on them. So we began by looking at the EU transparency register, in order to identify organisations that claim that they lobby on issues related to ‘financial services’ in general and some of the major financial market reforms of the last years, namely ‘MiFID’ (Markets in Financial Instruments Directive) and ‘CRD IV’ (Capital Requirements Directive IV). We identified 208 organisations, both industry and civil society organisations, that mentioned these topics as their lobbying aims in the official register.

<sup>4</sup> The “Lobbying Contact Reports” of the British Conservatives are available here: <http://www.conservativeeurope.com/MEP-expenses-code.aspx>

## The EU’s lobby register: in need of repair

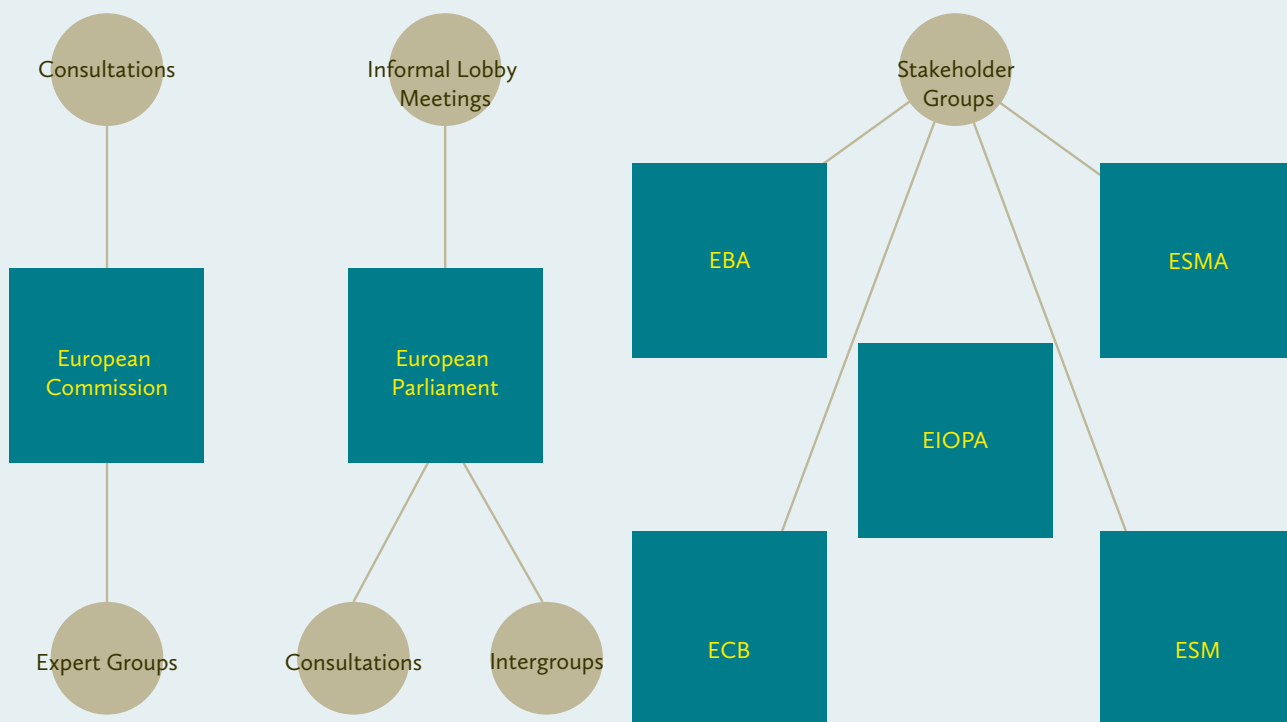
The EU’s Transparency Register exists to enable citizens to see who is lobbying to influence EU decision-making, but in practice the register fails to deliver a complete and reliable overview. The register, set up in 2008 following years of strong pressure from civil society and the European Parliament, suffers from at least two serious shortcomings. Firstly, the register is voluntary, which leaves companies

and lobby groups free to not sign up – and many indeed don’t. Academic studies estimate that 1/3 of industry lobbies are not registered. The ALTER-EU civil society coalition in a June 2013 report found more than 100 large companies that are active in EU lobbying but are not registered.<sup>\*</sup> Secondly, disclosure requirements are limited. Registrants are not obliged to report exactly which laws or specific

issues they lobby on. Many industry lobbies are found to under-report on their lobby expenses (preferring to appear small) and the register is also riddled with errors (such as companies accidentally reporting their turnover and total staff numbers instead of lobby expenses).

<sup>\*</sup> “Rescue the Register! How to make EU lobby transparency credible and reliable”, <http://www.alter-eu.org/documents/2013/06/rescue-the-register>

Chart 1: Institutions involved in EU Financial Regulation<sup>5</sup> and ways of lobbying them



Acronyms: European Insurance and Occupational Pensions Authority (EIOPA), European Securities and Markets Authority (ESMA), European Banking Authority (EBA), European Central Bank (ECB), European Stability Mechanism (ESM)

But the transparency register has some serious flaws. It is an entirely voluntary register (see Box 1), which means that any lobby group can avoid registration. Also, the validity of information given in the register is not checked by any EU authority. A search in the register can therefore only be a first step in the mapping of the financial industry lobby in the EU.

### 1.1. All stages of EU Financial Market Regulation

The next step was to identify the financial lobby groups that are active at different stages of EU decision-making. We therefore assembled a comprehensive dataset that covers organisations lobbying on all different phases of EU decision-making, except for the European Council for which we could not access any information regarding lobbying. EU financial regulation is both influenced by Commission and Parliament decisions and by the administrative bodies that execute the legislation. In the graph below, we mapped

the EU institutions we included in our survey and the types of access that they offer to lobbyists.

Taking this map as a starting point, we looked at the access lobby groups have to influence the political process at different stages of EU financial market regulation.

### 1.2. Lobbying the European Commission

The European Commission has a crucial role in creating any new rules for the financial sector, as it tables all proposals for legislation or amendments of legislation. So, if you are seeking to influence reforms of financial regulation this is the first institution to target. The Commission is in touch with lobbyists in various ways, but the two main interfaces are via consultations and official advisory groups, known as 'expert groups'.

Firstly, we looked for respondents to the EU Commission's public consultations on major financial market related topics<sup>6</sup>. The European Commission claims that these

<sup>5</sup> Of course, the European Council is very much involved in EU financial regulation, but information for the lobbying on the Council was not accessible.

<sup>6</sup> In general, we used <https://circabc.europa.eu> for these lists.

consultations seek the views of citizens and stakeholders when developing legislation. The purpose of the consultation process is thus, “to gather responses from citizens, organizations and public authorities”.<sup>7</sup> The consultations that we included in our survey covered all main areas of the EU’s financial regulation, such as the institutional framework of the European financial supervision (ESFS), the resolution of banks, capital requirements, alternative investments (thus including private equity and hedge fund regulation), derivatives trading and a financial transaction tax. All in all, we included 17 consultations in our dataset which we considered to be the most important ones in the field of financial regulation.<sup>8</sup>

Of the 906 organisations that participated in the consultations in total, more than 55% came from the financial industry, about 12% from other industry sectors and about 13% from trade unions, NGOs and consumer associations<sup>9</sup>. Taking a closer look at the frequency of consultations, one can see an even stronger imbalance of interest representation, since the top ten most frequent respondents all come from the financial industry, with one exception – the Czech Central Bank. Among the top ten respondents are major EU and international financial industry federations, like the European Banking Federation (15 consultation responses), the Investment Management Organisation (15), the Fédération Bancaire Française (15), the European Savings Banks Group (14) and the International Swaps and Derivatives Association (13).

The second step was to identify the organisations that take part in one of the Commission’s (DG Internal Market) expert groups on financial market reforms. These are groups formed by the Commission to provide input to the work of the Commission on financial regulation, including when the Commission sets out to propose new legislation in the area.

To offer a realistic picture of the presence of the financial lobby in the Commission’s expert groups (DG MARKT), it is not sufficient to list those currently active. Expert groups are typically formed to address a particular problem, e.g. reform of banking regulation, and are closed shortly after the Commission has launched its proposal. At the moment, the European Union is finishing a comprehensive agenda for reform of financial regulation, and for that and other reasons, relatively few expert groups exist at the moment. As this report addresses the question of the influence of the financial lobby, it is necessary to include the expert groups that were operational during the whole reform process, starting from late 2008.

We included all groups that were part of the shaping of EU post-financial crisis 2008 regulation, except those set up to ensure dialogue between member states/national administrations. As it turned out, some of the expert groups did not disclose their members, while others just listed individual names, claiming they consisted of neutral experts. If possible, we investigated the personal background of individuals in the expert groups and showed whether they had ties to financial industry firms.

### 1.3. Lobbying the European Parliament

The European Parliament has gained in influence in the legislative process in recent years and this is also reflected by the increased lobbying directed at this institution. On several occasions very specific outcomes of lobbying in the European Parliament can be identified. This includes for instance the tabling of amendments on behalf of the financial industry. In one assessment, 900 of 1.700 amendments to a directive on hedge funds and private equity funds were actually authored by financial industry lobbyists.<sup>10</sup>

<sup>7</sup> See: [http://ec.europa.eu/internal\\_market/consultations/2013/esfs/index\\_en.htm](http://ec.europa.eu/internal_market/consultations/2013/esfs/index_en.htm)

<sup>8</sup> The full list of consultations can be seen in the methodology document. Available upon request.

<sup>9</sup> Note that “consumer organisations” is a broad category in this report, as it covers not only the standard consumer organisation, but also groups representing investors.

<sup>10</sup> Assessment by the Green Group secretariat. See Corporate Europe Observatory; “Regulating investment funds”, November 2010, page 10. [http://corporateeurope.org/sites/default/files/sites/default/files/article/regulating\\_investment\\_funds.pdf](http://corporateeurope.org/sites/default/files/sites/default/files/article/regulating_investment_funds.pdf)

For our survey, we included member groups from the financial sector of relevant EU Parliament cross-party groups (both the officially recognised Intergroups and the unofficial forums). These informal working groups in the European Parliament include cross-party-MEP-coalitions on specific topics and representatives from lobby groups, and are supposed to facilitate “exchanges of views on particular subjects and promoting contact between members and civil society”.<sup>11</sup> They are often formed at the initiative of business lobby groups in the first place. Hence, apart from MEPs, representatives of firms, associations and other organisations are also allowed to attend the meetings. We found only one relevant group in the field of financial market regulation that would disclose its members – the European Parliamentary Financial Services Forum.

The European Parliamentary Financial Services Forum (EPFSF) is comprised of members of the European Parliament as well as lobbyists of the financial industry. Its stated aim is to “foster a dialogue between the European Parliament and the financial services industry”.<sup>12</sup> This includes, for example, inviting MEPs to ‘educational’ seminars on derivatives trading.<sup>13</sup> The forum is mostly financed by its members: 52 organisations from the international financial industry. They include JP Morgan, Goldman Sachs International, the European Banking Federation (which also organises the secretariat of the forum), Deutsche Bank, Citigroup, and many more. MEPs that participate in EPFSF meetings are thus closely connected to the most important financial industry players.<sup>14</sup> A second relevant intergroup does not disclose the participants of its ‘Financial Services Working Group’: the Kangaroo Group. The unofficial intergroup organises breakfast, lunch and other events in order to connect financial industry lobbyists and MEPs.

<sup>11</sup> See: <http://www.europarl.europa.eu/aboutparliament/en/00c9d93c87/Intergroups.html>

<sup>12</sup> See <http://www.epfsf.org/index.php/about>

<sup>13</sup> See: <http://corporateeurope.org/blog/financial-lobbyists-educating-meps>

<sup>14</sup> For the an assessment of the lobbying in MEP-industry-forums see: <http://corporateeurope.org/blog/mep-industry-fora-vehicles-lobbying>

## An MEP’s diary – requests for informal meetings

MEP Sven Giegold received requests for meetings from 142 financial industry organisations and related public affairs and law firms over a period of two years. As a German MEP, he is of course more often approached by German banking federations or corporations. The German Banking Association (BdB) has addressed him 19 times, on issues that related to financial market regulation such as general financial supervision, the banking union, banking resolution, money laundering and the crisis in Cyprus. The European Parliamentary Financial Services Forum (EPFSF) was also among the most active organisations in his list, accounting for 15 contacts, followed by the German Insurance Association (12 times), the European Banking Federation (11 times), the Association for Financial Markets in Europe (10 times) and the Stiftung Ordnungspolitik (10 times), a German think tank. The Confederation of German Trade Unions (DGB), Finance Watch and the European Consumer Bureau (BEUC) were the the only non-industry organisations with more than 2 requests within the 2 year period we looked at.

The main areas prone to lobbying are of course the Parliament’s work – and its committees – on financial market related issues. Therefore we looked at three major ECON Committee (the Committee on Economic and Monetary Affairs) consultations on financial market reforms: the MiFID consultation on general investment regulation in the European Union,<sup>15</sup> the consultation on Market Manipulation (MAD)<sup>16</sup> and the consultation on the Coherence of Financial Services Regulation<sup>17</sup> which covered the complete regulatory framework for financial markets in Europe.

All in all, 259 organisations participated in the ECON consultations. Again, the big international and European financial industry federations were the most active participants in the consultation, for example the Investment Management Association and the International Swaps and Derivatives Association. But also national industry associations like the British Bankers’ Association and the German Banking Industry Committee participated in all three consultations. Among the top 20 respondents, only one trade union (Nordic Financial Unions) and one NGO (Finance Watch) can be found.

We also wanted to include some more ‘subtle’ ways of lobbying the European Parliament: the invitation to events,

<sup>15</sup> See <http://ow.ly/uEd76>

<sup>16</sup> See <http://ow.ly/uplvF>

<sup>17</sup> See <http://ow.ly/uAc2a>

the sending of industry statements to MEPs and the informal meetings between lobbyists and MEPs. We therefore used the lists of lobby meetings published online by the UK Conservatives in the EP (part of the Conservative ECR Group, a group set up by the UK Conservatives, but which includes MEPs from other countries)<sup>18</sup> and the list of MEP Sven Giegold<sup>19</sup> to get an overview of the lobbyists that used meetings and direct MEP contacts as a tool to influence policy. The ECR list shows lobby meetings that actually took place, whereas Sven Giegold's list (see Box 2) is in a sense more complete, since it also includes all requests for meetings, whether they were accepted or rejected. With all the invitations that he received between 2012 and 2014, we built up a comprehensive image of which organisations lobbied MEPs through event invitations, industry statements on ongoing legislation and many other lobbying requests.

#### 1.4. Lobbying EU Agencies

The final lobbying opportunity we looked at was the make up of the EU's official advisory bodies. When most of the legislative work is done, EU agencies such as the European Central Bank (ECB), the European Stability Mechanism (ESM), and European Supervisory Agencies (ESAs), are supposed to supervise the financial markets and report potential risks and problems. These agencies have all set up a variety of advisory groups, often called "contact groups", which are comprised of representatives of financial corporations or their lobbying associations. It might seem that these bodies deal only with rather technical issues, such as concrete implementation of adopted legislation. However, the precise rules on implementation can be political in nature. Also, highly political issues, such as the financial transaction tax (FTT), are in fact discussed in many of these groups<sup>20</sup>. The outcome can either be direct influence on

how the supervisory agencies handle their tasks, or it can be influence on the position taken by the supervisory bodies on political issues, e.g. the FTT. For that reason, a seat in an advisory group of either of these agencies provides the financial lobby with yet another platform to influence financial regulation.

The European Supervisory Agencies are comprised of supervisory administrations for banking (European Banking Authority-EBA), for insurance (European Insurance and Occupational Pensions Authority-EIOPA) and for securities markets (European Securities and Markets Authority-ESMA). In addition, the European Central Bank, too, is set to play a major role in future financial supervision and banking resolution. For all of these agencies, there are so-called stakeholder groups that advise them on ongoing regulation and the assessment of their respective financial market section.

#### 1.5. How many entities and in what categories?

Having completed the dataset of entities that make up the financial lobby – be they corporations, lobby associations or consultancies – we can now work out the statistics.

Adding all insurance firms, banks, asset management companies, exchanges and other financial industry organisations as well as consultancies and law firms they hire for lobbying, a total number of more than 700 organisations can be identified as financial industry lobbying entities. This number is therefore a sum of all the levels of lobbying (whether at the Commission, the Parliament, via agencies, or the ECB). NGOs, trade unions and consumer organizations are present with about 150 organisations.<sup>21</sup> The comparison between the two numbers is slightly deceptive, as almost all civil society organizations listed do not work entirely on financial regulation, but have this issue as one among many issues they address. In fact, almost all of them

<sup>18</sup> See <http://www.conservativeeurope.com/MEP-expenses-code.aspx>

<sup>19</sup> See <http://www.sven-giegold.de/2013/lobbytransparenz/>

<sup>20</sup> See Corporate Europe Observatory; "Robbing the Robin Hood tax", July 2013, <http://corporateeurope.org/financial-lobby/2013/07/robbing-robin-hood-tax-european-central-bank-weighs>

<sup>21</sup> Of course, very few of those organisations have full-time staff working on financial issues in the EU, many only appeared with one single consultation response.

Number of Organizations



Table 1: The financial industry lobby consists of more than 700 organisations and thus influences EU decision-making with 5 times more entities than NGOs, trade unions and consumer organizations together.

Public authorities (EU and national ones), too, are outnumbered by the financial industry.

Total Number of Lobbyist Encounters with EU Institutions

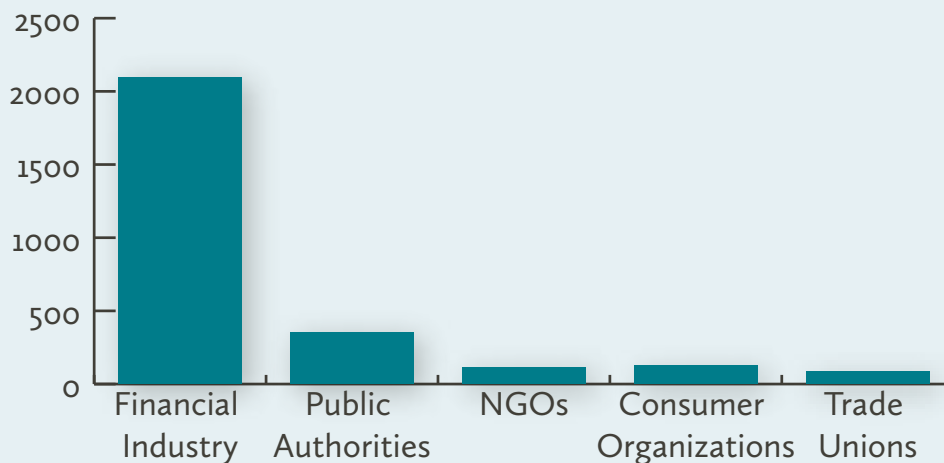


Table 2: The financial industry lobby has had 7 times more encounters with the EU institutions than NGOs, trade unions and consumer organizations together.

National Origin of Financial Industry Lobbying Organizations

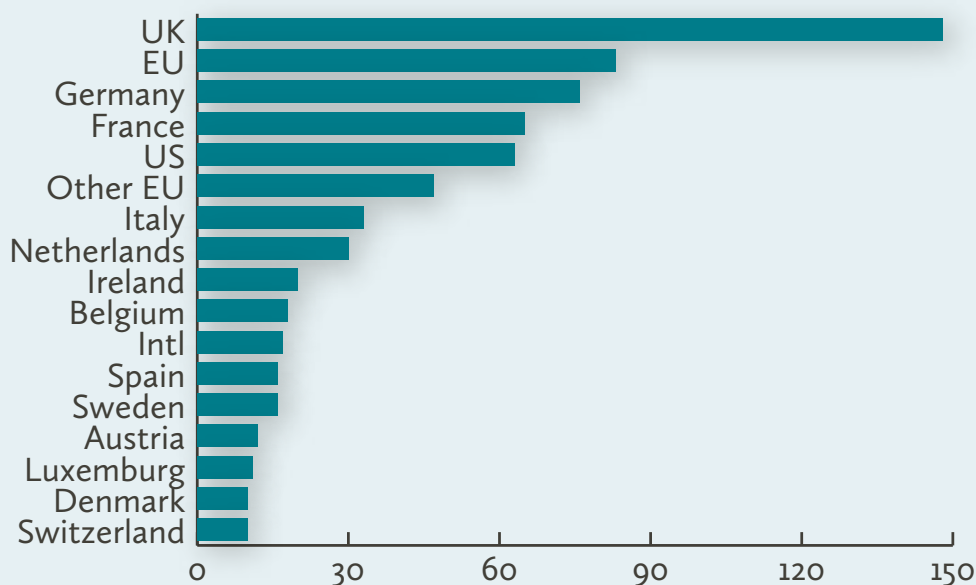
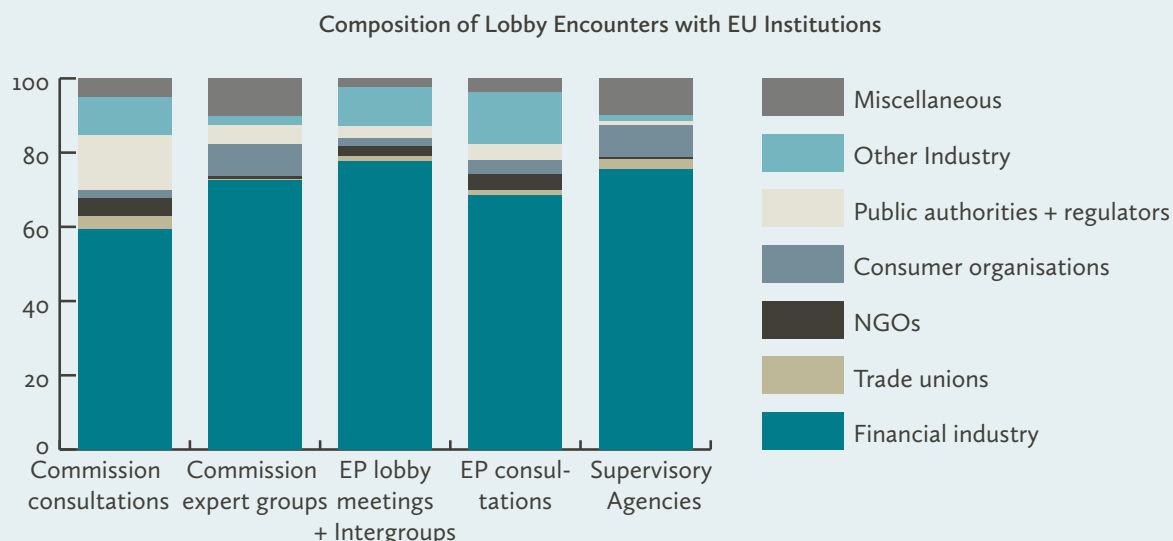


Table 3: Over 140 financial industry organisations active in EU lobbying come from the UK.

For this graph, we excluded public affairs consultancies and law firms, since they would have skewed the figures for Belgium due to the EU/Brussels factor.

Table 4: At all stages, financial industry outnumbers other actors.



have financial regulation as a rather marginal part of their work. The total list of organisations, also including NGOs and trade unions, can be found in our methodological document.<sup>22</sup>

Of course, simply counting the number of organisations risks overestimating the actual influence they wield, especially that of NGOs and trade unions, since it is not just the number of organisations in existence but the amount of contact they have that matters. Therefore, the following chart shows the total amount of contact that the different interest groups had with the EU institutions. ‘Contact’ includes Commission consultations and expert groups, European Parliament consultations and informal lobby meetings as well as supervisory agencies’ stakeholder groups, at all stages of the political process. Here, the dominance of the financial industry is even more obvious. With a total of more than 1900 encounters in the period of post-crisis financial reform, financial industry outperformed all other actors.

When looking at the national origins of the financial lobby, naturally there are a large amount of pan-European industry federations. Nevertheless, the UK financial industry firms clearly outnumber all other national financial organisations in lobbying weight.

Since we collected data on the presence of the financial lobby at different stages of the legislative and executive process in the EU, we can also show exact percentages of the representation of financial industry, civil society and public authorities at these different stages of financial regulation.

We can therefore show a complete picture of lobbying over EU financial regulation: from the drafting stage (Commission expert groups and consultations), to the later decision-making procedures (Parliament consultations and informal lobby meetings with MEPs) and the implementation phase (supervisory agency stakeholder groups). Only the European Council was left out in our survey, since we could not get access to any information on the lobbying that is taking place at the Council level.

A remarkable element in the numbers of lobbyists for different institutions is that civil society and public authorities only have a (slightly) better share of the total contacts with EU institutions in public consultations. In expert groups and the influential behind closed-door meetings with decision-makers, civil society is heavily under-represented. For instance, in the lobby meetings and intergroups we looked at, there were only 9 trade union encounters as opposed to 512 from the financial industry.

<sup>22</sup> The detailed methodology and the dataset are available upon request.

## 2. How much money, how many lobbyists<sup>22</sup>

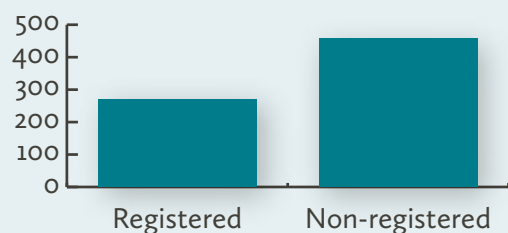
A clear estimate of the strength of the financial lobby lies in the money spent and the number of lobbyists.

Up to now, we've collected the number of all organisations that lobbied on different levels of EU financial regulation. However, for a clearer estimate of the true fire power of the financial lobby, we have to use information from the official EU transparency register, in order to look at the lobbying expenses and staff numbers of the respective lobbying organisations. However, as explained above, the register is seriously flawed, as it is not a truly mandatory register. Lobby groups can decide not to register with no serious consequences.

For that reason, simply adding up the expenses of registered financial lobby groups, would leave the non-registered groups completely out of the picture. There is clearly a serious discrepancy between the more than 700 financial industry lobby groups identified above and the number of registered groups which represents not even half of the total financial lobby.<sup>24</sup> Table 5 illustrates the 450 financial industry organisations or related entities that are not registered in the transparency register. It is important to note, then, that to reach a more accurate reflection of the numbers for lobbyists and expenses we also had to look at non-registered firms (see below).

In order to estimate the numbers on expenses and staff that the financial lobby dedicate to influencing EU rule-making, of those firms listed in the transparency register, we decided to “trust” the amounts they self-disclose. In the words of

Table 5: More than half of the financial industry organisations are not registered.



the register these are the amounts the firms spend: “directly related to representing interests to EU institutions in that year”. We deleted obvious mis-reportings. Since the expenses are often disclosed in ranges (e.g. €50,000-€100,000/year), we used the mean value for our calculations.<sup>25</sup> Furthermore, to gain a true picture of the amount the financial lobby spends, we had to estimate the expenses of public affairs consultancies and law firms.

Consultancies and law firms are lobby intermediaries in the field of financial market regulation. They serve clients from industry by either providing them with advice on regulatory issues or by directly lobbying decision-makers for them. Most of them are listed in the transparency register, but of course only spend part of their budget on behalf of financial industry clients. We therefore used their individual register entries to see how many clients from financial industry they work for and what amount of money is spent for this service (facts are given in the register). Using this method, we also got an indirect estimate of a lot of non-registered actors who are the clients of registered PR and law firms, such as Goldman Sachs or HSBC. This revealed part of the network of financial industry lobbying that is often mediated by consultancies such as Fleishman-Hillard, Kreab Gavin Anderson, Hume Brophy or G+ Consulting.

<sup>23</sup> We used the EU's transparency register's definition of lobbying as the basis for our estimate of lobbyists. According to the register, all organisations and self-employed individuals engaged in “activities carried out with the objective of directly or indirectly influencing the formulation or implementation of policy and decision-making processes of the EU institutions” are expected to register. These activities include all major stages of lobbying that we looked at in our survey: contacting members or officials of the EU institutions, preparing, circulating and communicating letters, information material or argumentation and position papers, organising events, meetings or promotional activities (in the offices or in other venues). The number of lobbyists in the register does not necessarily correspond with a full-time equivalent lobbyist.

<sup>24</sup> Due to the constantly changing register entries, we might have missed some organizations that registered after we checked our dataset.

<sup>25</sup> We changed obvious misreportings (overly high numbers, e.g. 2000 lobbyist staff or €10,000,000 expenses in the case of Taxand, see: <http://ow.ly/vnHc5j>).

## What a public relations firm can do for you

**“Do you want your voice to be heard in Brussels and in the European capitals? We can help you devise and implement an effective communications strategy to shape policy thinking, contribute to the public debate or preserve your reputation in a crisis.”**

**Peter Guilford, Executive Chairman, G+ |Public Affairs Consultancy serving Financial Industry Clients|**

Nevertheless, we still had to assess the large number of unregistered financial industry firms. We assumed them to have at least one person that is lobbying EU regulation, if they appear in our dataset at some point, since this proved their activity related to EU policy making.

However, in order to receive a more detailed number for staff and expenses, we looked for information on their websites or their annual reports. We only considered staff to be full-time lobbying EU regulation, when it was explicitly mentioned that they worked on EU government relations or public affairs. Some organizations did only disclose general government relations or public affairs staff. In that case, we included a share of 30-50% of their staff salaries to be spent on EU lobbying.

We estimated their expenses on lobbying staff according to the ballpark figure of the Ellwood and Atfield study on lobbyist remunerations.<sup>26</sup>

We used the bottom line numbers (the lowest possible class of remuneration) for lobbyist salaries of trade associations, business firms and consultancies:

- \* €100,000/year for a full-time equivalent business lobbyist
- \* €70,000/year for a full-time equivalent trade association lobbyist
- \* €70,000/year for a full-time consultant

If an organization did not have an explicit lobbyist for EU issues, we calculated a half-time equivalent of the above mentioned salaries for them, hence €50,000 or €35,000 per year.

Some associations in our dataset served only as link institutions for their members and were therefore regarded not to have their own lobbyist staff and expenses. For many subsidiaries, we also assumed that they did not have their own lobbying facilities.

All in all, our estimate is likely to be very conservative. Firstly, the salary of public affairs professionals is only a part of an organization's total expenses on lobbying. Other expenses like

event organization, travel costs, but also taxes that are to be paid on top of the salaries were not included in our estimate. Some organizations were not included at all in our estimate, like cross-sector industry associations, even if we knew that part of their activities were directed to lobbying for their financial industry members (e.g. as with the Confederation of British Industry – CBI).

In total, the financial industry lobby employs more than 1700 lobbyists focusing on EU decision-making, including all banks, insurances and other corporate actors, their industry federations, and lobby staff in consultancies and law firms focussed on financial regulatory issues. Most of these lobbyists are full-time lobbying the EU institutions, some part-time. Comparing this number to the public servants working on financial services at the European Commission, one public servant of the Commission is facing 4 financial industry lobbyists.<sup>27</sup>

As for NGOs, trade unions and consumer organisations we could not use the registered organisations' total staff as a comparable measure, since only small numbers of their total staff work on financial issues. We therefore rang up the civil society organisations and trade unions that we discovered in our research and estimated their staff working on this policy field. When we knew their actual number of staff working on financial market regulation, we could estimate which percentage of their total work and thus of their total expenses was dedicated to financial market issues. As for the non-registered ones, we estimated their staff and expenses relating to an estimate of €36,000 for a full-time equivalent annual salary.

In total, our calculations show a sum of about €123,000,000/year spent by the financial industry lobby; and by contrast, less than €4,000,000 for NGOs, trade unions and consumer organizations. This means that the financial industry is outspending civil society counterparts by a ratio of at least 30:1. Comparing this measure to previous studies on other industries' lobby power, such as the pharmaceutical, food or tobacco lobby this means an extraordinary imbalance of power.

<sup>26</sup> See [http://www.ellwoodatfield.com/pdf/Brussels\\_Remuneration\\_Report.pdf](http://www.ellwoodatfield.com/pdf/Brussels_Remuneration_Report.pdf)

<sup>27</sup> We counted the staff of the directorates F, G and H of DG Markt – they summed up to about 400 officials that deal with financial market regulation, see <http://ow.ly/vnC5Q>.

Table 6: The ratio of financial industry expenses to those of NGOs, trade unions and consumer organisations is about 30:1.

## Yearly Expenses on Influencing EU Financial Policy (€ = 1 million euro)

by the Financial Industry

by NGOs, trade unions and  
consumer organizations together



Expenses of the financial  
industry lobby per year:

**€123,000,000**

**€97,000,000**

registered

**€26,000,000**

non-registered  
(estimate)

Number of financial  
industry lobbyists:

**~1700**

**1250**

registered

**450**

non-registered  
(estimate)

# 3. Dominance of the financial lobby in advisory groups

Besides the statistics on the number of lobbyists and the amount of money available to the financial lobby, there is a separate but important aspect of its activities which merits attention: their presence in official advisory bodies – known as expert groups – for the EU institutions, including the Commission, the European Central Bank and the European supervisory agencies.

Expert groups offer a crucial opportunity for access that the Commission grants to different interest groups. They are often put in place in the preparation of legislative proposals and policy initiatives, in order to advise the Commission in the very first stage of decision-making. The composition of these groups can therefore have an enormous influence on the outcomes of EU financial regulation.<sup>28</sup> In fact, in an early survey of the expert groups, the authors looked into the composition of the groups that advised the Commission years ago on the particular EU rules over financial regulation that disastrously turned out to be far too lax in 2008. The conclusion was that all these groups were heavily dominated by representatives of the financial industry – in other words the first draft of rules to regulate the financial industry were heavily influenced by the industry itself.<sup>29</sup> The key question is if this picture has changed since the 2008 crisis which triggered the latest reform efforts.

We concentrate here only on the non-governmental expert groups (there are a large number of expert groups that merely include representatives of member states – either from ministries or financial services authorities – that we do not count). Most of the groups included in the statistics are easy to access via the Commission's expert groups register. However, it is necessary to note two aspects of our methodology we used to produce the statistics on the financial lobby presence in expert groups in Table 7.

First, it was necessary to include not only the existing expert groups, but all the groups listed in the register in the course of the past five years. This is because expert groups are

mostly established on an ad hoc basis – for instance when preparing new legislation – and then dissolved when the job is done. A list of current expert groups would therefore not reveal much, as a large number of reforms of financial regulation have recently been adopted.

Second, the Commission often omits the inclusion of groups in the register. For that reason, we have included expert groups that are not in the register, but that we have managed to trace in various ways. Thanks to work done by Corporate Europe Observatory over the years, important expert groups not entered in the register or removed from the register, have been identified.<sup>30</sup>

As can be seen from the table, the composition of expert groups shows the European Commission's inclination to consult closely with business, their numbers heavily outweighing other actors, for example those of civil society.

- \* We found a dominance of the financial lobby over consumer organisations, NGOs and trade unions in 15 out of 17 expert groups. Only in the two expert groups that were explicitly dedicated to consumer issues, did consumer organisations hold the majority.
- \* In total, more than 70% of all advisors in the Commission's expert groups had direct ties with financial industry; NGOs (0.8%) and trade unions (0.5%) were hardly granted access to these forums.

On top of the Commission's expert groups should be added the advisory groups of the EU's supervisory agencies and the ECB. These institutions also have a preference for representatives from the private financial industry. It would be fair to remark that work in these groups tends to be of a technical nature, as they are there to provide dialogue with

<sup>28</sup>For an assessment of the composition of expert groups and the Commission's commitments see: [http://www.alter-eu.org/sites/default/files/documents/Broken\\_Promises\\_web.pdf](http://www.alter-eu.org/sites/default/files/documents/Broken_Promises_web.pdf)

<sup>29</sup>ALTER-EU; "A captive Commission: the role of the financial industry in shaping EU regulation", November 2009, <http://www.alter-eu.org/sites/default/files/documents/a-captive-commission-5-11-09.pdf>

<sup>30</sup>Our detailed methodology as well as the dataset are available upon request.

| Expert Group                                                                                                                                   | ID from Commission's Expert Group Register | % Experts from Financial Industry | % Experts from NGOs, Consumers, Trade Unions | Still Active? |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------|----------------------------------------------|---------------|
| De Larosière Group on financial supervision in the European Union                                                                              |                                            | 62                                | 0                                            | No            |
| High-Level Expert Group on reforming the structure of the EU banking sector ("Liikanen Group")                                                 | 2767                                       | 40                                | 10                                           | No            |
| MiFID Meetings (Markets in Financial Instruments Directive on investments and investors, <a href="http://ow.ly/upIPE">http://ow.ly/upIPE</a> ) |                                            | 77                                | 5                                            | No            |
| Clearing and Settlement Code of Conduct Monitoring Group                                                                                       | 1926                                       | 94                                | 0                                            | No            |
| Derivatives expert group                                                                                                                       | 2299                                       | 86                                | 0                                            | No            |
| Clearing and Settlement: Fiscal compliance group                                                                                               | 1445                                       | 72                                | 0                                            | No            |
| Clearing and Settlement: Legal certainty group                                                                                                 | 1444                                       | 62                                | 0                                            | No            |
| European Securities Markets Expert Group                                                                                                       | 1816                                       | 90                                | 5                                            | No            |
| Financial services users' forum (forum of dialogue with financial users, mainly investors)                                                     | 648                                        | 0                                 | 67                                           | No            |
| Groupe d'experts sur l'éducation financière (on financial education)                                                                           | 2183                                       | 56                                | 4                                            | No            |
| Group of experts on banking issues (GEBI)                                                                                                      | 2412                                       | 74                                | 14                                           | No            |
| Standards Advice Review Group                                                                                                                  | 1957                                       | 17                                | 0                                            | No            |
| European Multi-Stakeholder Forum on Electronic Invoicing                                                                                       | 2650                                       | 42                                | 17                                           | Still active  |
| Payment Systems Market Expert Group                                                                                                            | 2287                                       | 63                                | 26                                           | Still active  |
| European Commissions Expert Group on Market Infrastructure (EGMI)                                                                              | 2512                                       | 90                                | 3                                            | No            |
| Financial Services User Group                                                                                                                  | 2594                                       | 11                                | 67                                           | Still active  |
| CESAME2                                                                                                                                        | 2194                                       | 84                                | 0                                            | No            |

Table 7: Financial Sector Expert Groups\*

\* The difference up to 100% are either academics or representatives of national administrations.

industry on implementation of adopted measures, not formally to provide policy input. However, often these measures turn out to be highly political in nature: the current agenda on financial regulation is indeed discussed in the framework of these groups – as was the case with the ongoing debate on the Financial Transaction Tax, which was debated in four of the six “market contact groups” of the ECB, shortly before the ECB president and other central bankers commented on the FTT in public.

The financial industry clearly recognises the growing importance of the supervisory agencies in influencing policy. As Kreab Gavin Anderson, a leading public affairs consultancy in financial market issues, recently noticed on the ongoing MiFID implementation, “the show is quickly moving... to the European Securities and Markets Authority (ESMA) which will have the hard task to draft the circa 90 technical standards and hand them over to the European Commission.”<sup>31</sup> The financial industry was and is granted privileged access to help the ESMA and other agencies with this hard task, as the following figures show.

Table 8: Composition of EU Agencies' Stakeholder Groups

| EU Financial Supervisory Authority                | % Financial Industry | % NGOs, Consumers, Trade Unions |
|---------------------------------------------------|----------------------|---------------------------------|
| EBA Banking Stakeholder Group                     | 45                   | 27                              |
| EIOPA Insurance and Reinsurance Stakeholder Group | 57                   | 22                              |
| EIOPA Occupational Pensions Stakeholder Group     | 62                   | 17                              |
| ESMA Securities and Markets Stakeholder Group     | 50                   | 25                              |
| ECB Stakeholder Groups                            | 95                   | 0                               |
| ESM Market Group                                  | 100                  | 0                               |

Here, the dominance of representatives from the financial sector is even more clear than in the case of the Commission's expert groups:

- \* 74% of all entities in the stakeholder groups came from financial industry.
- \* Most of the organisations that one could count as civil society associations were consumer groups. NGOs (0.4%) and trade unions (3%) were only granted marginal access to the groups.

<sup>31</sup> Kreab Gavin Anderson (2014): Newsletter February 2014.

## 4. The 'Big Players' and their Networks

Graphic presentations of the links of the most active lobby groups gives a strong impression of their capabilities.

The final part of our survey on the strength of the financial lobby, is a closer look at some of the biggest players in the financial lobby. Perhaps not surprisingly, the 20 most active organisations lobbying on financial issues in the EU are all financial industry firms. There is not a single consumer organisation, trade union, NGO or public authority that can match their resources and meetings, expert groups memberships etc. Amongst the 50 most active entities in all the stages of lobbying, there are only two trade unions and one consumer association.

In addition to this general overview, we picked out one major bank that is among the most active in lobbying on the EU level, in order to visualize its networks in different EU decision making bodies and processes. It is obvious that a well-connected bank or insurance company has far more influence on decision making in general through consultations, industry federations etc. In some cases, this creates an echo-chamber leading to multiple representations of organisations in specific consultations or groups (e.g. if there

are consultation responses by Deutsche Bank, but also the European Banking Federation, European Fund and Asset Management Association, German Banking Federation, International Swaps and Derivatives Association, these are all associations where Deutsche Bank is represented). As mentioned above, these organisations not only profit from their high turnover and financial wherewithal to lobby in Brussels and elsewhere, but also from links to other associations that will then try to influence the EU legislation.

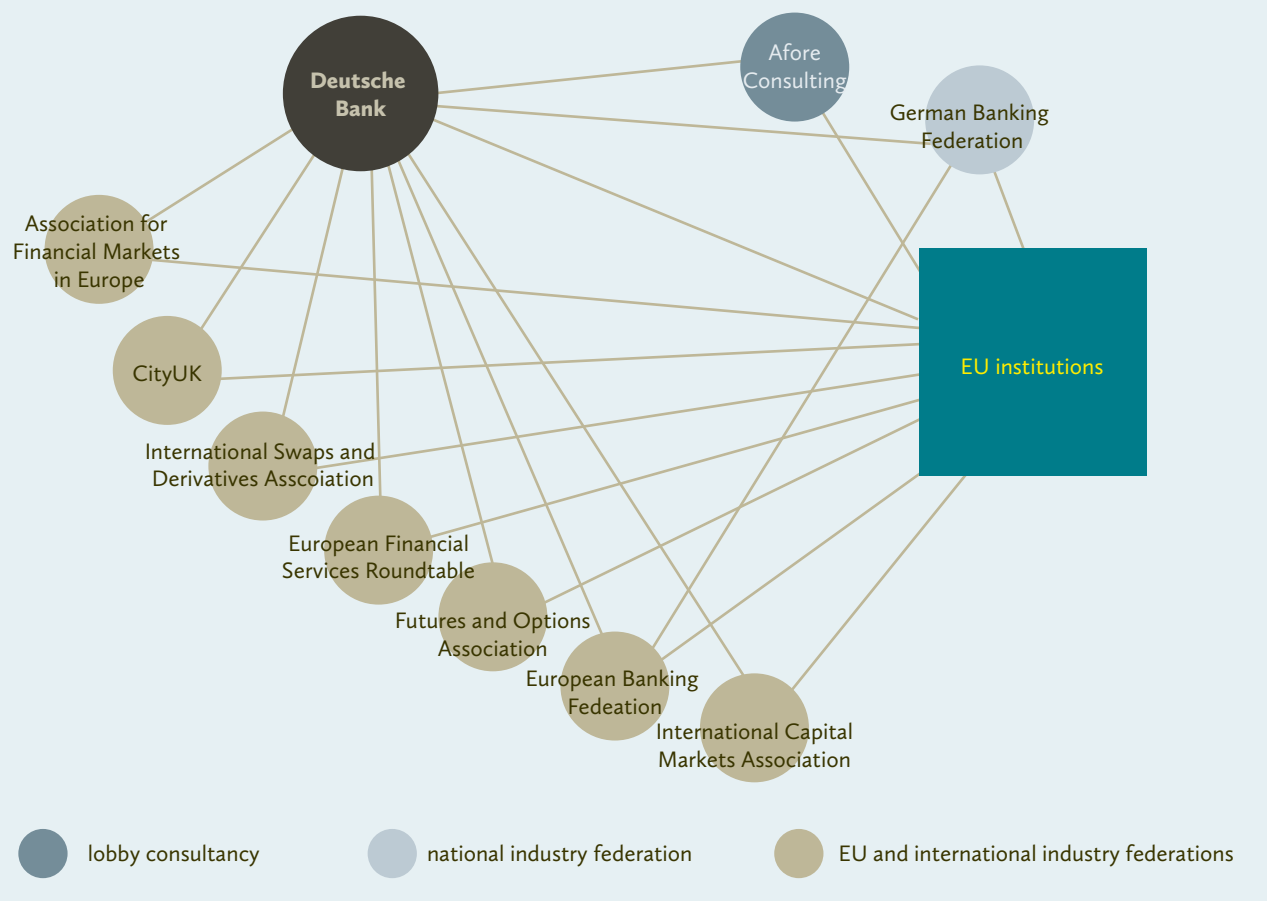
### 4.1. Big Business and its Sphere of Influence

The biggest banks and insurance companies are inter-linked in multiple ways with EU decision making. Taking the example of Deutsche Bank, we can depict the network that this financial market actor uses for its lobbying in Brussels. This network of Deutsche Bank does not only show its national industry federation affiliations, but also

Table 9: The five most active lobbying organisations of the financial industry

| Lobbying organisation                                | Consultation Responses (Commission) | Expert Groups (Commission) | Lobby Meetings (European Parliament) + Intergroups | Consultation Responses (European Parliament) | Supervisory Agencies' Stakeholder Groups | Expenses per year on lobbying (€) |
|------------------------------------------------------|-------------------------------------|----------------------------|----------------------------------------------------|----------------------------------------------|------------------------------------------|-----------------------------------|
| 1. European Banking Federation                       | 15                                  | 12                         | 13                                                 | 2                                            | 2                                        | 4,375,000                         |
| 2. European Savings Bank Group                       | 14                                  | 7                          | 9                                                  | 2                                            | 1                                        | 275,000                           |
| 3. European Fund and Asset Management Association    | 12                                  | 7                          | 7                                                  | 2                                            | 2                                        | 1,875,000                         |
| 4. Association for Financial Markets in Europe       | 12                                  | 7                          | 13                                                 | 2                                            | 2                                        | 10,000,000                        |
| 5. European Association of Co-operative Banks (EACB) | 11                                  | 8                          | 2                                                  | 2                                            | 0                                        | 225,000                           |

Chart 2: Deutsche Bank's Network of EU Lobbying

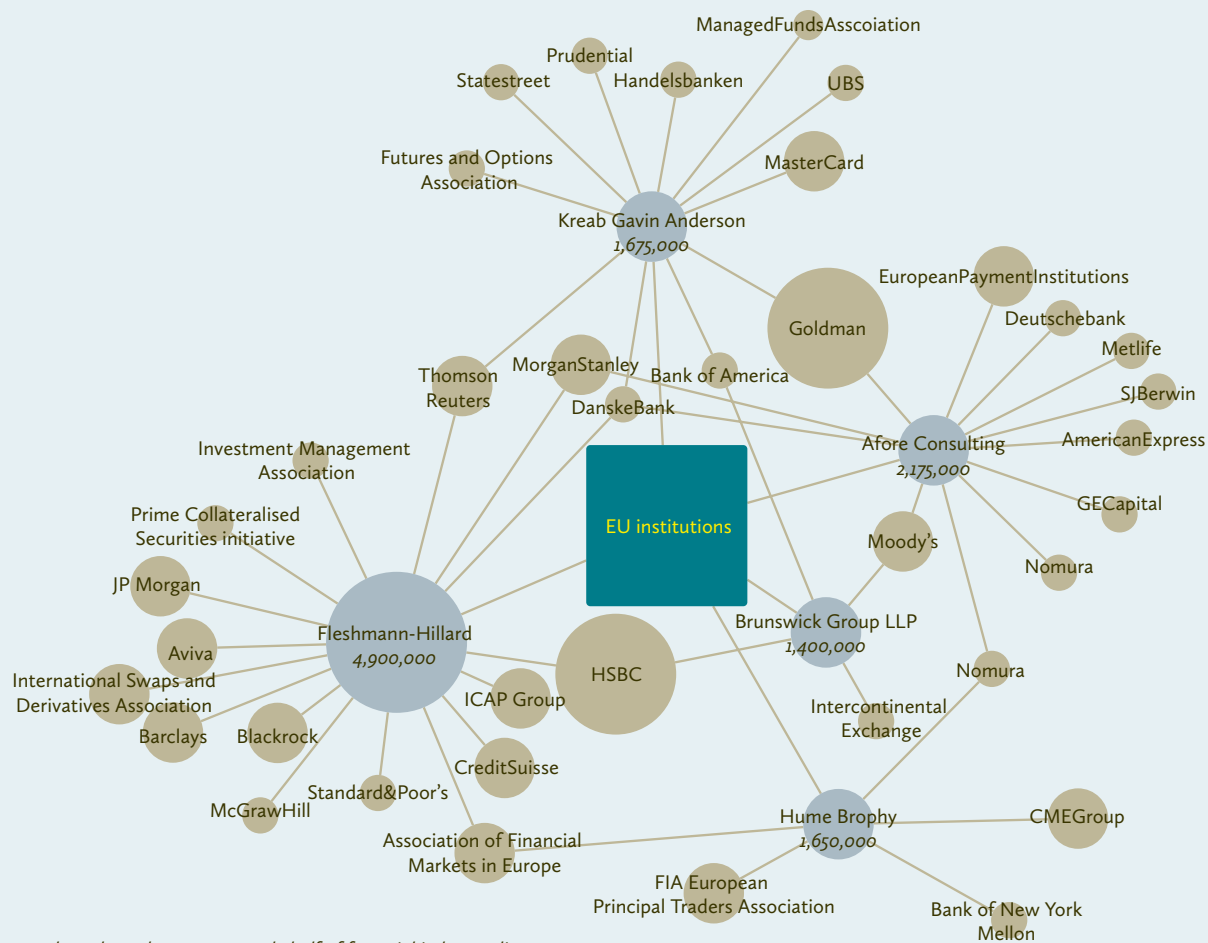


its connections to large financial industry federations on the EU or international level.

For the links to the EU institutions, we draw a connection line every time we found consultation responses, lobby meetings or expert group memberships of the respective organisation.

As can be seen in this network, industry federations are not the only intermediaries that work on behalf of financial corporations such as Deutsche Bank. One more version of indirect lobbying is the use of public affairs consultancies as professional lobbying service providers. In the graph below, we collect the five top public affairs consultancies with regard to their expenses for financial industry clients. The sum of their expenses for financial industry clients is retrieved from the EU transparency register as well as their clients.

Chart 3: The 5 biggest Public Affairs Consultancies working for Financial Industry Clients<sup>32</sup>



<sup>32</sup> We excluded some of the smaller financial industry clients in the graph.

## 5. Conclusion

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In our survey we shed light on lobbying over financial market issues at all stages and levels of the EU legislation process. And the picture that emerges is a quite disturbing one. With more than 700 entities, more than 120 million Euros annual spending and at least 1700 lobbyists at their disposal, the financial lobby is clearly a powerful voice. It is no wonder that over the years, these groups have largely been able to set the agenda for reforms of financial regulation in the European Union. This only becomes clearer when contrasted with the far smaller number of lobbyists for groups that tend to take a different position than the banks and the investment funds.

We believe this is a serious problem for democracy, not only in that money buys influence, but that the financial industry that has caused so much havoc is able to shape legislation designed to reform the sector. This situation is an extremely risky one for society at large, if it is allowed to continue.

In the short term, decision-makers need to wake up to these facts and take strong measures to curb financial industry lobbying influence. First steps for a more sustainable political environment for financial regulation in the EU include:

- \* reducing banking lobbyists in advisory groups to a minimum;
- \* reducing lobbying meetings with Commission officials;
- \* rules on revolving doors;
- \* and a code of conduct on lobbying ethics and full transparency about contact with banking lobbies.

But transparency alone will not be enough on the road to a more equitable, democratic, and sustainable system of financial regulation at the EU level. Decision-makers also need to recognise that, particularly in the wake of the crisis, the field of financial regulation is of key interest to a far broader public audience. Politicians will have to address the dominance of the financial lobby that we examine in this report.

April 2014





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