

Draghi insists on continuing the G30-scandal - new report is out

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The Group of Thirty, a mixed group of international commercial bankers and central bankers, has just released a report on central banking. The report is again presented as if it was representing the opinion of the group as a whole, including Mario Draghi. This proves that the new guidelines for communication of the members of the Executive Board of the ECB are nothing but window dressing.

To give the context, a short recap of "[Why Mario Draghi will not be able to stay in the Group of Thirty](#)" is in order. The EU Ombudsman had rejected an earlier complaint about the President of the European Central Bank, Mario Draghi, mingling with commercial bankers in the Group of Thirty and about these G30 reports, which create the appearance that Draghi supports their recommendations. The Ombudsman held that the reports are not problematic, since they carried a disclaimer saying that they are the product of a working group and do not necessarily represent the opinion of all G30-members. However, I found out, that this disclaimer, which was quite hidden in the first place, has been erased in subsequent reports. I also reported in Handelsblatt and on norberthaering.de that the information in the disclaimer is hardly ever reaching the wider public, as almost all news-reports ignore it.

In the meantime, the Executive Board of the ECB - in reaction to a scandal involving board member Coeuré giving insider information about ECB-plans to bankers behind closed doors - has issued and published [Guiding Principles](#) for External Communication of its members, including President Draghi. Thus, it is worthwhile looking at the latest G30-report on Central Banking, released today.

The following is the G30's press release. Note: The report is presented as a G30 report with no hint of a disclaimer telling recipients that acting public officials do not necessarily subscribe to it. This omission all but ensures that the hidden disclaimer in the report will not be noticed by reporters.

*"Dear subscribers, Today, **the Group of Thirty released its latest report, Fundamentals of Central Banking: Lessons from the Crisis.***

This major study surveys the history of central banking, focusing on evolving role of central banking, and assesses how policies and practices have shifted in response to the 2007-2009 Global Financial Crisis. The report identifies three continuing core principles for central banking and ten observations on how central banks must adjust their roles going forward to better prevent and address future crises. The report warns central banks cannot be the only game in town. Sustained and robust economic growth requires governments to urgently undertake the fiscal, regulatory, and other structural reforms needed to support growth."

In the report itself, the disclaimer, which no doubt has been re-inserted as a reaction to my reporting, is now found (or better: hidden) at the end of the foreword and reads:

"Members participated in their personal capacity, and their participation does not imply support from their respective public or private institutions. The report does not necessarily represent the views of the membership of the G30 as a whole."

Since Draghi's membership and participation in the Group of Thirty has been an issue for some

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years, we can expect that the issue will be covered and settled by the new guidelines, can't we?

Apparently, that would be asked too much. The guidelines do not cover participation and communication within such mixed bodies of officials and private sector participants.

Some guidelines come close to being relevant. One reads:

*“accept speaking engagements at events where their **remarks could be seen as financially market-sensitive** only if these remarks are published on the ECB’s website at the start of the speech, or if the event can be monitored and followed directly by the general public (e.g. via a live webcast), or if the event is attended by media representatives who could report in real time. Speaking engagements on general or academic topics, where no financial market-sensitive information is disclosed, remain unaffected by this stipulation;”*

Note in this context that *“**The mission of the Group of Thirty** is to deepen the understanding of international economic and financial issues, to explore the international repercussions of decisions taken in the public and private sectors, and to **examine the choices available to market practitioners and policymakers.**”*

Thus, it seems unavoidable, if Draghi participates in the discussions of this group, that his “remarks could be seen as financially market-sensitive”. They would however still not be made available to the wider public as demanded by the first quoted guideline, due to the closed-door nature of the groups meeting. Formally however, the discussions are no “speaking engagements” and thus the guideline formally does not apply. Happy coincidence, isn't it.

Another guideline reads:

*“refrain from offering to **any institution, company or person who could derive profit from such information personal views about the state of the economy or the financial sector relevant to the future stance of monetary policy** that have not already been expressed publicly”*

Given the stated purpose of the group, it seems impossible for Draghi, if he participates in the discussion, to “refrain from offering to any institution, company or person who could derive profit from such information personal views about the state of the economy or the financial sector relevant to the future stance of monetary policy that have not already been expressed publicly.” He would be a completely useless member to the group if he did. But if he claims that he does restrict his communication in such a fashion, who is to prove otherwise. No witnesses from the public or the ECB (see discussion of next guideline) are present.

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Finally, a third guideline demands of Draghi and his colleagues:

*“when considering invitations to speak at **non-public events** or to accept **bilateral meetings**, **e.g. with bankers**, industry representatives, or with **special interest and advocacy groups**, the members of the Executive Board will ensure that no financial market-sensitive information is divulged. As a matter of principle and where practical, an **ECB staff member should be present at bilateral meetings.**”*

The G30 meetings are non-public events. However, the ECB holds that the G30 is not a special interest or advocacy group, so the first part does not apply. They are also not “bilateral meetings with bankers”, since there are always several bankers present. Therefore, no ECB staff member has to be present as a witness. Another set of lucky coincidences for Draghi’s continued participation in the G30. Almost too lucky to be coincidences, one might be forgiven for thinking.

As a very important aside, it must be noted that there is a footnote to the guidelines that says they do not apply to supervisory talks with representatives of supervised banks. This has relevance for the G30, since the G30 has explicitly suggested [in a report](#) that supervising ECB representatives use their privileged information to help supervised institutions improve their business model, such that these can make more money, making the financial system ostensibly safer in the process. The footnote exempting supervisory talks from the guidelines makes it possible that ECB Board Members could engage in such corrupt activities, which would give large ECB-supervised institutions a big competitive advantage over smaller, less dangerous institutions.

Because it is hard to believe, I will quote the suggestion of the G30 again:

*“**Assessment of strategies, business model, and risk vulnerabilities: Boards are increasingly focusing on helping to shape strategy, and on understanding how strategic decisions and risk appetite affect the firm’s sustainability, prudential standing, and ability to recover in a crisis.... Within a dual board structure, these are key responsibilities of the supervisory board. They are also areas where supervisors can bring unique perspectives derived from their experience and analysis of peer situations and emerging trends within financial markets.**”*

Background: The [Group of Thirty](#) was founded in 1978 upon an initiative of the [Rockefeller-Foundation](#). It has a little more than 30 members, mostly active or former top managers of large international financial institutions and

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active or former central bankers. Often they are both at the same time. Many of the bankers are former central bankers, like Axel Weber, head of UBS and formerly President of Bundesbank. There are also several central bankers who have been high ranking managers of private financial institutions before, like Mario Draghi, Mark Carney, Governor of the Bank of England and William Dudley, President of the New York Fed, who have all been managers of Goldman Sachs before. The group is headed by former ECB-President Jean-Claude Trichet.