

# The Group of Thirty might finally end its scandalous existence

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The European Ombudswoman [has announced](#) that she will investigate the membership of the President of the European Central Bank (ECB), Mario Draghi, in the Group of Thirty. This is a shadowy forum of the most senior executives from large commercial banks and the most important central banks. The Group of Thirty meets behind closed doors without the press and without minutes taken. Some of the institutions are being supervised by the ECB. This group could come to an end, in its current form, if the EU-Ombudswoman finds fault with Draghi's membership.

**Some Background on the [Group of Thirty](#):** It was founded in 1978 upon an Initiative of the [Rockefeller-Foundation](#). It has a little more than 30 (usually all-male) members, mostly active or former top managers of large international financial institutions and active or former central bankers. Often they are both at the same time. Almost a third of members are representing US-institutions. Its main purpose is the mingling of commercial bankers and central bankers. The central bankers have their groups in Basel, there they regularly meet. The big international banks have groups like the Institute of International Finance there they discuss current topics and issue reports. The Group of Thirty is the only mixed group and the central bankers that go there, do not apply any of the usual transparency and anti-corruption rules that otherwise govern their relationships with commercial bankers.

Let me explain why the Group of Thirty is threatened by this investigation by the EU-Ombudswoman into Mario Draghi's membership, even though the group is headquartered in Washington and Emily O'Reilly cannot order Draghi to leave. First of all: No active member of the Federal Reserve Board is, or – to my knowledge – was ever a member of the Group of Thirty. The US has some stringent anti-corruption and transparency rules for public officials. The absence of the Governor of the Federal Reserve Board is no great impediment for the group, since the President of the Federal Reserve Bank of New York has similar powers and is currently, as usual, a member. This is possible, because the New York Fed is owned and supervised by the New York Banks which it supervises, and thus the Federal Reserve Bank of New York does not consider itself a public institution.

So far, the non-membership of acting Federal Reserve Board members is hardly noticed. But if Draghi had to leave for the reasons that keeps the former out in the first place, this would be noticed, and the membership of other central bank governors would become very difficult to justify to the public. The Group of Thirty might continue to exist as a special venue for former central bank chiefs turned commercial bank lobbyists. However, without the presence of current central bankers, its character would be quite different. It would no longer be an ideal venue for creating understanding among commercial and central banks on favorite issues like the global war on cash or the desirability of light-touch regulation.

It is hard to imagine that Draghi could remain a member, if the EU-Ombudswoman would say she regards it as improper. The reputation of the ECB, which is already quite tarnished, would suffer further.

## Why Draghi's membership in the G30 is scandalous

There are a number of reasons why the President of the ECB should not participate in closed door meetings with the heads of large commercial banks. Here are the most important ones:

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- Members of the G30, who are among the most important actors on the financial markets, get first hand insight into the thinking of the head of a market-moving public institution, and this insight is not available to other market participants or the public. This invites illicit insider deals.
- The ECB is the sole supervisor of several of these banks and their competitors. It is very improper for the head of such an institution to conduct a closed-door meeting, with no witnesses from within his organisation and no public record, with representatives of the very institutions he is charged with supervising on behalf of the public.
- The G30 regularly issues reports on banking supervision, central banking and related subjects. These reports invariably contain recommendations which are favorable to the business interests of the large international banks, and which dominate the G30 and advocate light-touch regulation. It is a scandal, that these recommendations from the G30 are relayed to the public as if they had the signature of Mario Draghi and his central bank companions. The ECB denies the last accusation, but I have provided plenty of evidence about a year ago, that the G30 report are indeed presented to the public as if they came from the whole group, as I have shown in detail in an [earlier blogpost](#).
- The Group of Thirty regularly sends out digests called “Members in the Press”, which allows the members from commercial banks to bask in the glory of close association with the most powerful central bankers of the globe. This gives them and their institutions a competitive edge.
- Forced by various scandals involving ECB officials divulging valuable information to market participants behind closed doors, the ECB has given its top brass “guidelines for communication”, which are supposed to avoid all the problems listed above. However, while Draghi’s closed door discussions with bankers are clearly against the spirit of these guidelines, these are formulated in such a way that they only apply to formal speeches in front of market participants and to bilateral meetings with bankers. Multilateral meetings with bankers have been left out (more on this [here](#)).

## Why the Ombudswoman is investigating again

The investigation of the Ombudswoman, Emily O’Reilly, goes back to a complaint by Corporate Europe Observatory (CEO), a lobbying watchdog. CEO had already filed a similar complaint in 2012, which O’Reilly’s predecessor, Nikiforos Diamandouros, dismissed in 2013. The former complaint was mostly based on two arguments.

1. That the G30 is a lobby-group and
2. That the G30 issues public reports on ECB-related subjects, and that creates the impression in the wider public that the ECB-President subscribes to the views and recommendations in these reports.

Ombudsman Nikiforos Diamandouros ruled on 1. that the G30 is no lobby group for commercial banks – I am not making this up - because people like Draghi are members and some central banks are bankrolling the exercise together with commercial banks. On 2. he ruled that there was a disclaimer in the G30-reports that stated that the reports need not represent the views of each individual member.

The current complaint is not based on the nature of the G30, but rather on the nature of

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Draghi's interaction with its members. There have been developments since 2013, which convinced the new Ombudswoman that another investigation is warranted. The ECB now has exclusive responsibility for the oversight over large commercial banks in the Euro area, which was not the case in 2013. O'Reilly's investigation not only concerns Draghi's membership, but also "the involvement of senior ECB people in the work of the G30." This most likely relates to something I unearthed in August 2015 and described in the piece "[Why Mario Draghi will not be able to stay in the Group of Thirty](#)".

At the time, the G30 issued a report on banking supervision. In the forward, this report revealed that Julie Dickson participated as an observer in the meetings of the working group and brought her "intellect and experience to the table". Julie Dickson is a Member of the Supervisory Board, Single Supervisory Mechanism of the ECB. This is the decision making body of the banking supervision arm of the ECB. Thus, a board member of the ECB's banking supervision arm, responsible for supervision of all systemically important European banks worked with representatives of supervised commercial banks on recommendations to banking supervisors. These recommendations then were published under the name of G30, of which the head of the ECB, Mario Draghi, is a full member. Any banking supervisor working for the ECB could be forgiven if he thought that these recommendations were something he should be following.

The other development, which is described in the same blogpost, is the fact, that the G30 eliminated the very disclaimers on which the Ombudsman had based his positive verdict in 2013. In the G-30 reports that were released after this verdict, there were no such disclaimers any more, until I reported on it, at which point they were reintroduced. Even after reintroducing the disclaimers, the G30 reports are almost invariably presented to the public by the media as reports of the whole group – as I have shown in my [previous reporting](#) - not just as the modest result of deliberations of some working group within the G30.

Thus, there are ample reasons to find fault with the membership of Draghi and with the participation of senior officials in G30 working groups. If O'Reilly agrees, a long-lasting scandal by the name of G30 might finally come to an end.

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**Abut the author:** Dr. Norbert Haering is a German business journalist and blogger. His best-selling book on "Abolishing cash and the consequences" was published in 2016 by Bastei-Luebbe (in German). [More ...](#)