

## The ECB resorts to omissions, half-truths and misrepresentations to defend Draghi's G30-membership

The ECB has answered [questions posed by the European Ombudsman](#) to president Mario Draghi regarding his membership and his participation in closed-door meetings of the Group of Thirty (G30), a Group in which the world's most central bankers and commercial bankers congregate. The 17-page reply manages to evade several questions, is quite selective in the information given and even contains some false statements.

Reacting to a complaint by Corporate Europe Observatory the Ombudsman (which is a woman), started an investigation into Draghi's membership, which culminated in 16 written questions to Mario Draghi dated 4 July 2017.

The [ECB has answered](#) Ombudsman Emily O'Reilly's letter a few days ago. The reply starts with "Preliminary observations" which state that "The Group of Thirty was established in 1978 as a forum for exchanging views on topical issues related to the functioning of the international economic system", forgetting to mention by whom. A look at the [website of the G30](#) does not answer the question, either. Wikipedia does:

The Group of Thirty was founded in 1978 by Geoffrey Bell at the initiative of the Rockefeller Foundation, which also provided initial funding for the body.

In several instances, the ECB points to the fact that **other central bank representatives**, like those from the Bank of England, the Bank of Japan and the Federal Reserve Bank of New York are also members of the G30, implying that if they see fit to participate in this group, it should be okay for the ECB too. What they do not mention in this context, though, is the fact that it is only the New York Fed, a private institution owned and controlled by Wall Street banks, which sends a representative. No member of the Federal Reserve Board has become or remained a G30-member while holding this office, at least not during the last few decades. The reason is obviously that strict rules against conflicts of interest in the US do not allow a high-ranking public official to be in such an intransparent group together with high ranking private sector representatives.

Going into the answers to individual questions, let's start with a statement that is plainly wrong, and surprisingly so, as it misrepresents the ECB's very own ethics rules.

**Question 11:** The ombudsman notes that "the '[Guiding principles for external communication by members of the Executive Board of the ECB](#)' provide that as a matter of principle and where practical, an ECB staff member should be present at bilateral meetings between members of the Executive Board and third parties." She wants to know: "Would the ECB consider that this rule should be observed in all cases?"

In response to this, the ECB claims: "The Guiding principles provide that, as a rule, an ECB staff member should be present **not only at bilateral meetings, but also at non-public events** (such as G30 meetings)."

This is not correct: The relevant section of the "Guiding principles" reads: "(W)hen 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 ECB further claims, rather ambiguously, that all Executive Board members have followed these provisions

for the G30 events since the adoption of the Guiding principles. Since these Guiding principles only stipulate that a staff member should be present **in principle and if practical**, it is unclear, what this answer means in practice. Was a staff member always present, or only if practical? (Not that it would make such a big difference, if Draghi brought one of his trusted reports to the meetings to "supervise" him.)

**Question 10:** The ombudsman cites the concern of the complainant, that in the **absence of a disclaimer** the public might think that G30-reports represent the ECB's view. To this, the ECB replies boldly: "(A)ll G30-reports contain a disclaimer", thus implying that the complainant is making false accusations.

As I have detailed in my blog-entry "[Why Mario Draghi will not be able to stay in the Group of Thirty](#)" and in Handelsblatt-reporting (18.08.2015 p.30 "Wie nah ist zu nah?") such disclaimers had been present in a very hidden place until 2013 and then dropped from G30-reports. Only after my reporting, the disclaimer was reintroduced in subsequent reports from 2016. **Questioned about the absence of the disclaimer** in the reports, the ECB's response at the time was:

The compatibility of the membership of high-ranking ECB officials in the Group of Thirty is not primarily a matter of formulation of the disclaimer for the Group's reports, but foremost a matter of the very nature of the Group, i.e. its purpose, its activities, its composition, etc.

This was the state of knowledge at the time the complainants filed their complaint with the Ombudsman and it makes the statement of the ECB incorrect.

As I have also detailed in my blog, the G30 reports are furthermore routinely presented in a way that ensures that the media will report on them as if they represented the opinion of the G30 as a group. Since almost all recipients learn about these reports through the media, it follows that almost all recipients do get this impression. The cover pages of the reports only contain the title and G30 as publisher. There is no mention of some working group as the author of the report.

Also, the introduction often presents the report as a G30 report and its conclusions as something that should be heeded by members of the business and/or regulatory community. As an example, in the report from 2015 on "[Banking Conduct and Culture: A Call for Sustained and Comprehensive Reform](#)" Chairman Jean-Claude Trichet and the Chairman of the Board of Trustees start their introduction explaining that this "is the third **G30 study** and the culmination of several years of work focusing on the governance challenges faced by the world's largest banks, their boards, their management, and the supervisors ..." and they end it with: "**We believe** there should be a review in approximately twenty-four months of the progress made by major banks in implementing these recommendations", clearly giving the impression that they speak for the G30 as a whole. This is reinforced by Trichet's plea: "**We call** on the leaders of the financial community to assign high priority and urgency to strengthening conduct and culture and, in so doing, to draw on our recommendations as signposts of good practice, and as part of a comprehensive series of reforms."

There is no disclaimer saying that this report does not necessarily represent the views of all members. There is only the following rather vague statement in the foreword: "The report, which is the responsibility of the G30 Steering Committee and Working Group, **reflects broad areas of agreement among the participating G30 members**, who took part **in their individual capacities**. All participating G30 members have had the opportunity to review and discuss preliminary drafts. Members participated in their personal capacities and did not represent their individual public or private sector institutions."

As the former ombudsman had made clear in 2013 in his ruling on an earlier complaint, the ECB's president cannot credibly claim that he is not representing the ECB in such affairs of direct relevance to his work as

President of the ECB.

The issue of personal capacity turns out to be tricky.

**Question 8:** The Ombudsman states in her question that the inspection team was told that the membership of the ECB President was **in a personal capacity**. However, she notes that he was substituted at least once by the Vice-President at a G30-meeting.

In response to this, the ECB claims to have made clear that there is an institutional interest of the ECB in the President's participation in the G30. In the answer to question 9, the ECB even more specifically states that Draghi's G30-participation is in official-capacity. Apparently, the ECB never saw a need to urge the G30 leadership to stop saying wrongly that the ECB's president participates in his personal capacity.

Some questions are answered rather vaguely or not at all:

**Question 4** was: "**How is it decided** which people or what organisations are invited to participate in the meetings and working groups?"

The ECBs lengthy reply circles around the question without answering it.

**Question 5** asks in the context that representatives of **large banks, which are overseen by the ECB** sit with the president of the ECB in the G30: "Does the ECB have any rules, protocols or guidelines to protect against a conflict of interest situation arising in relation to G30?"

In reply, the ECB briefly mentions that there are the ECB's Codes of Conduct (which contain hardly anything of relevance to the question) the Guiding principles (which are carefully worded in a way to not be applicable to the G30) and the vague concept of obligations of professional secrecy and independence. This is not much. This is next to nothing and utterly inadequate in such an important area and with unelected, politically independent officials who have to fear very little adverse consequences if they are overstepping boundaries but who routinely go on to work in highly remunerated positions in institutions they have formerly overseen. G30-member Axel Weber, formerly Bundesbank-President, now heading UBS, is only one of many examples of this revolving door that are showcased in the G30-membership.

**Question 14** ask if there is a risk of a **public perception** that confidential information might be disclosed to commercial bank representatives in the closed door meetings of the G30.

The ECB comply skirts this important question in their reply.

**Question 6** was: "Is there an **internal decision** concerning ECB participation in such fora?"

The answer only refers to a letter written by former Vice-President Vitor Constancio sent to the former Ombudsman in 2012 in reply to his request for information and to a subsequent opinion by the ECB's Ethics committee, chaired by the Chairman of the G30, Jean-Claude Trichet, who is said to have recused himself. No date for this decision of the Ethics committee or a document in which it is laid down is mentioned, let alone reproduced. There is also no mention that Constancio's letter is based on a decision of the ECB's Board or even of its Governing Council.

Clearly, there has not been a decision by any decision making body of the ECB on having the ECB-president participate in such a mixed group, despite him going there in an institutional capacity, as the ECB now claims.

## Money and more

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**In summary:** The ECB hardly ever is able or willing to point to concrete provisions that would apply to Draghi's participation at closed door G30 meetings and where they do, what they say is wrong. They falsely claim that all G30 reports have disclaimers making it clear that they do not necessarily represent all members view and they insist that Draghi's membership is in an institutional capacity while never taking issue with the G30 for claiming the opposite. They do not seem to care about the impression that the public might get. Their attitude is: Our leadership will always do the right thing even in the face of strong incentives to do otherwise. **Trust us!**

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