

Pressure is mounting on Draghi and the G30

Emily O'Reilly is the EU Ombudsman, an arbiter for the public's complaints about EU-institutions. She has earned a reputation for being tough. She wants written answers from Mario Draghi, head of the European Central Bank, the EU's monetary and banking surveillance institution. He has to explain how he makes sure that he does not divulge insider information or runs into conflicts of interest as a participant of secret talks with bankers in the so-called Group of Thirty (G30). O'Reilly's questions, [published on her website](#), make it plain that she will not easily be convinced.

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 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.

It could be problematic for the ECB-President (or any other central bank president) to take part in the closed door meetings, in which members explain the financial world to each other and develop joined strategies on how to deal with the challenges it presents. After all, commercial institutions try to make money on having a better understanding than competitors of what the central bank will do in the future. Having regular exchanges with the ECB's president on how he sees the world, is invaluable and an obvious insider information that competitors don't get.

Worse even, the ECB is the banking supervisor of some of the large commercial institutions with whom Draghi develops joint strategies. That might seem inappropriate to some.

After O'Reilly started her investigation in January in reaction to a complaint by Corporate Europe Observatory, an inquiry team met with representatives of the ECB in March to discuss the inquiry and inspect the relevant documents. Now she sent a letter with questions to Mario Draghi and asks for written responses by September. Some of the questions will not be easy to answer satisfactorily.

An ethics supervisor tied to G30

She points to the embarrassing fact that the ECB has appointed the Honorary Chairman of the G30, Jean-Claude Trichet, as chairman of its three people strong ethics committee. O'Reilly wants to know Draghi's thoughts about that "in the context of the Ethics Committee's possible role in assessing the ECB's membership of the Group", a role, which the hand selected and tame committee presumably has never fulfilled.

Private citizen Draghi in important ECB mission

Draghi also has to explain, why the ECB can claim that Draghi is only a G30-member in his personal capacity, not as a representative of the ECB, if the G30 did invite the Vice-President as a substitute, when Draghi could not come. The claim is also hard to reconcile with the ECB's insistence that Draghi's presence at the G30 meetings is "indispensable" for the ECB. When the former Ombudsman [ruled on a different complaint](#) about Draghi's G30-membership in 2013, he was very understanding of the ECB, but that thing about Draghi being only a G30-member in his personal capacity was too much even for him. He wrote in no uncertain terms.

In the Ombudsman's view, the ECB could not reasonably expect citizens and other stakeholders to regard such a statement as credible if the subject-matter of a report related to the areas of responsibility of the ECB.

Remember that the Ombudsman represents the European public. That the ECB continues to tell the Ombudsman the already rejected story of personal membership does not speak well about their readiness to be transparent and open vis a vis their sovereign.

G30 as the exception to all the ECB's rules

Various questions allude to the impression that the ECB does not seem to have rules and procedures that apply to participation in G30 meetings. To be sure, after some well publicized scandals, the ECB has given itself internal rules to make sure board members do not divulge insider information behind closed doors or run into conflicts of interests in dealings with private bankers. However, the rules have been carefully crafted in a way that they do not apply to Draghi's participation in the G30. There are rules for bilateral meetings and rules for speeches, but strictly speaking, the discussions at the G30 are neither, as they are not "bilateral" and they are not strictly speeches. Thus, Ms. O'Reilly very politely but inconveniently asks if the ECB would consider applying the internal rules for bilateral meetings with bankers also to multilateral meetings.

Even more disruptive could be another demand of O'Reilly, dressed as a very polite question:

Where ECB members attend meetings organised by the Group of 30, they must abide by Treaty transparency requirements. However, Group of 30 meetings are not transparent. Would the ECB consider proactively informing the public of the content of these meetings, providing agendas and non-confidential summaries?

To say no to this request and give an acceptable reason is not easy. Saying yes would change the nature of the group and presumably make it less attractive to its commercial members. Many topics that the G30 has presumably been discussing cannot be discussed any more, if the agenda and a summary are provided. It would simply be too obvious to the public that information gained by representatives of commercial institutions during these discussions is valuable and that conflicts of interest can hardly be avoided.

It could come even worse, though. If Draghi would have to pull out of the G30, this would put tremendous pressure on other central bankers to do the same. After all, the closed door meetings of commercial institutions and the most important central bankers are only possible because the Americans have found a way around the strict transparency rules governing the US public administration. These prohibit the members of the Board of Governors of the Federal Reserve to take part in closed-door meetings with bankers like those of the G30. However, there is a good substitute in the President of the powerful subsidiary New York Fed, which is in charge of supervising Wall Street. It is officially a private institution, owned and controlled by the banks it oversees. Thus, New York Fed "officials" do not abide by the rules governing public officials. The presence of the acting

Money and more

Blog by Norbert Häring

<https://norberthaering.de>

President of the New York Fed (and of former Governors of the Federal Reserve System) ensures a strong enough presence of the US in the Washington-based G30. If, however, the President of the ECB had to pull out, there would probably not be such a loophole. And the British press, which has been dormant so far, could wake up and ask, why the Governor of the Bank of England takes part in closed door meetings of such a group, which for hygiene reasons are not attended by the heads of the European and the US central banks. This would be the end of the G30, at least in its current form. We can be confident that the G30 and Draghi will fight tooth and nail to not let that happen.

[German version](#)

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