
ECB RELIANCE ON BANKERS' FEEDBACK RAISES CAPTURE RISK - ACTIVIST GROUP

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By Francesco Canepa FRANKFURT (Reuters) □ The European Central Bank turns almost exclusively to bankers for advice and feedback on financial issues, exposing it to the risk of becoming too close to a sector it is meant to supervise, an activist group said on Tuesday. Corporate Europe Observatory (CEO), which monitors lobbying at European institutions, said in a report that 508 of 517 seats available on the ECBs advisory groups are taken by financial sector representatives. Banks under ECBsupervision hold the majority of seats in the 22 advisory groups, which the ECB uses to gather intelligence on subjects ranging from economic and market developments to financial infrastructure and payments, CEO said. Clearing house Euroclear was the most represented, followed by Germanys Deutsche Bank and Frances BNPParibas and Societe Generale □ three top European banks that are directly supervised by the ECB □ while academics were absent, according to CEOs findings. The makeup of the ECBs advisory groups opens the door to the risk (of) the regulatory process being captured by lobbyists, CEO said in its report. Of the nine seats not taken by the financial sector, seven have gone to non-financial companies such as German industrial giant Siemens and just two to consumer groups, according to the CEO report. The ECBs interaction with the financial industry is already under scrutiny from the European Unions watchdog after a previous CEO complaint about the involvement of ECB President Mario Draghi and other top officials in the Group of 30, which includes bankers and fund managers. Besides its role as bank supervisor, the ECB has been the single most important driver of European financial markets over the past few years through its 2 trillion euro bond-buying programme, which is now preparing to scale back. An ECBspokesman declined to give immediate comment, referring to extensive information about contact groups on the ECBs website. The ECB publishes the agenda and summary of the groups meetings, as well as participant lists for all but one of the groups. Reuters reported in 2015 that three of the traders accused of manipulating euro money market Euribor rates were part of the ECBs Money Market Contact Group. CEO said in the report that banks involved in a separate forex manipulation scandal which emerged in 2013 have been heavily represented on the ECBs Foreign Exchange Contact Group, although it did not suggest that any individual members of the group had been involved in forex rigging.

(Reporting by Francesco Canepa; Editing by Catherine Evans)