

Lobbying for the City of London

The firepower of the UK financial sector in Brussels

THE FIREPOWER OF THE UK FINANCE LOBBY



Annual
EU lobby
spend at least

€34
Million

From Dec. 2014 to May 2016
228 lobby
encounters
with Commission elite



140 lobbyists and
71 European Parliament
access passes

Hundreds
of lobby meetings with
UK Conservative MEPs

afme
Finance for Europe

€ spends €7,250,000

26 lobbyists

17 Commission elite
lobby encounters

TheCityUK

€ spends €2,000,000

17 Commission elite
lobby encounters

16 meetings with
UK Conservative MEPs

HSBC

€ spends €1,750,000

6 European Parliament passes

24 Commission elite
lobby encounters

Introduction

It has long been known that the financial services sector based in the UK is hugely powerful and has a big (and negative) influence upon decision-makers in both London and Brussels. These players (retail and investment banks, hedge funds, insurance companies and their trade associations and lobby groups) are often collectively referred to as the 'City' and include both home-grown companies and those, mostly from the US, that use London with its 'light touch' regulatory environment as a key European base.

Corporate Europe Observatory is not taking a position on the question posed in the UK referendum¹, but it is clear that the UK finance industry is overwhelmingly in favour of remaining in the EU. Surveys among owners and chief executives from financial corporations, or more broadly in the financial sector in the UK, show massive support for EU membership, including [an early one](#) that highlighted 94 per cent support for staying in the single market.

This might appear strange, as you often hear complaints from the 'City' about EU regulation of financial services. But the fact is that the financial sector has emerged victorious from many lobbying battles in Brussels. Key victories have been won on banking regulation, hedge fund regulation, and on complicated financial products, such as the so-called derivatives. In the year-long debate over financial regulation after the financial crisis in 2008, much care has been taken to deepen the single market through liberalisation, often at the cost of regulation in the public interest.

Over the years, financial lobbyists have worked together to influence EU financial regulation, often with lobby groups with headquarters in London in the lead, including the Association for Financial Markets in Europe (AFME), the Alternative Investment Management Association (AIMA), or TheCityUK. They are used to operating in Brussels, and often have it their way. For instance, AIMA was successful in securing easy access for hedge funds to all EU member states, and bankers' lobbyists have managed to scale down demands to have "capital requirements" as buffers against the collapse of banks. Also, some proposals have been effectively stalled, including ideas to split banks or to limit banks' speculation with their own money or those of depositors.

In 2014, Corporate Europe Observatory, ÖGB Europabüro, and AK EUROPA published a report on the [firepower of the European financial services lobby](#). That report (based on data from the EU lobby register) showed that the Europe-wide financial industry spent more than €120 million per year on lobbying in Brussels and employed more than 1,700 lobbyists to influence EU policy-making. It comprised more than 700 organisations and collectively they outnumbered civil-society organisations and trade unions working on financial issues by a factor of more than five.

Now we have updated these figures to reveal the EU lobby firepower of the UK financial services sector today.

Lobby spend

Based on [an analysis by LobbyFacts.eu](#) of 50 organisations² which are, or which represent, UK private sector financial actors, their total declared EU lobby spend for the most recent year (for which figures are available) was €34,227,539.³ This is likely to be an underestimate because when organisations have declared their lobby spend within a range, we have taken the lower figure; we have also excluded the smaller lobby actors. Additionally, some key players may not be part of the EU's (voluntary) lobby register and so there is no data available on their lobby spend. One such organisation could be the [International Regulatory Strategy Group](#) which “seeks to identify opportunities for engagement with governments, regulators and European and international institutions to promote an international framework that will facilitate open and competitive capital markets globally”.

At the top of the [list](#) is the [Association for Financial Markets in Europe](#) with its massive declared EU lobby spend of over €7million a year. AFME, or Finance for Europe as it styles itself, represents the biggest global and European banks and other capital market players operating in wholesale financial markets. Other associations representing different elements of the financial services economy dominate the top of the list. [The Investment Association](#) representing UK investment managers spends €3million on EU lobbying; the [International Swaps and Derivatives Association](#) spends €2,750,000; [TheCityUK](#) which “champions UK-based financial and related professional services” spends €2 million; and the British Bankers’ Association, €1,750,000. These are the five biggest EU lobby spenders from the UK finance sector.

Others in the top 12 biggest UK finance lobbyists are well-known names from the world of global finance: [HSBC Holdings](#) (€1,750,000); [Barclays](#) (€1,547,539); [Bank of America Merrill Lynch](#) (€1,250,000); [Goldman Sachs](#) (€1,000,000); [Morgan Stanley](#) (€1,000,000); [Royal Bank of Scotland](#) (€900,000); and finally, the [Alternative Investment Management Association](#) which spends €800,000 a year lobbying the EU institutions on the interests of the global hedge fund industry.

Top 12 EU lobby spenders from UK finance lobby

Financial actor	May 2016 declared spend	May 2015 declared spend
Association for Financial Markets in Europe	7,250,000	8,000,000
The Investment Association	3,000,000	3,000,000
The International Swaps and Derivatives Association	2,750,000	2,500,000
TheCityUK	2,000,000	2,000,000
British Bankers’ Association	1,750,000	2,500,000
HSBC Holdings	1,750,000	1,250,000
Barclays	1,547,539	1,736,619
Bank of America Merrill Lynch	1,250,000	1,250,000
Goldman Sachs	1,000,000	700,000
Morgan Stanley	1,000,000	900,000
Royal Bank of Scotland	900,000	900,000
Alternative Investment Management Association	800,000	800,000
TOTALS	24,997,539	25,536,619

As our [2014 firepower report](#) showed, there are few NGOs and trade unions which actively lobby on financial issues. [Finance Watch](#) is one such organisation, and it aims to “rebalance private and public interest representation, in order for finance to better serve society”. It declared €600,000 lobby spend in 2014, which represents just a fraction of the €25million spent by the top 12 biggest UK finance corporate lobbies.

Moreover, the lobby spending power of these financial actors seems relatively stable. The 50 collectively declared a minimum spend of €32,481,613 the previous year (according to the lobby data available in May 2015). While most organisations made the same or higher declarations in May 2016 than in May 2015, some major organisations declared less in 2016 than in 2015. These include: AFME, Barclays, British Bankers Association, Lloyds, and Standard Chartered. This could reflect the fact that the 2013-2014 period (to which lobby declarations available in May 2015 are likely to relate) was a very busy time in terms of financial dossiers going through the EU decision-making process. In May 2015, six organisations, or 12 per cent of the 50 were not registered at all in the EU lobby register and only joined subsequently.

Who belongs in the UK financial lobby?

It might make you wonder how US investment banks such as Goldman Sachs and Morgan Stanley can appear as UK groups in the statistics. But due to the dynamics of financial lobbying, that makes perfect sense. UK banks such as Barclays, Lloyds Banking Group and the Royal Bank of Scotland, share

positions and coordinate their efforts closely with other big financial corporations with a strong presence in the UK. Even the so-called British Bankers’ Association has members from not only the UK, but the US, Spain, Germany, Switzerland and the Netherlands as well. And AFME, a candidate for the biggest

financial lobby group in Brussels, started in London, with UK and US banks as the protagonists. So, when the interests of the ‘City’ are presented by the UK government as the interests of the nation as a whole, in fact those interests are only the interests of the most powerful groups in the financial sector.

Influencing the Commission

a. Meeting the senior Commission elite

In a telling demonstration of access and influence, between 1 December 2014 (when the data first started to be published) and 18 May 2016, these 50 organisations have between them held 228 lobby encounters with commissioners, cabinet members or directors-general at the Commission (although not all these meetings were on finance matters).⁴

HSBC Holdings tops this list as the most 'well-met' UK financial lobby with a total of 24 encounters. The others holding the most Commission elite lobby encounters are Goldman Sachs (21); AFME (17); TheCityUK (17); Aviva Plc (12); British Bankers' Association (11); London Stock Exchange Group (11); The Investment Association (11); Bank of America Merrill Lynch (10); and PwCIL (10). Many of these names are already familiar from the previous biggest spending lobbies list.

The Goldman Sachs figure of 21 meetings is particularly remarkable considering that it refused to join the voluntary EU lobby register for many years; it finally joined days before a [new Commission rule](#) came into force that meetings with the top elite in the Commission could only take place with registered lobby groups.

UK Commissioner Jonathan Hill, commissioner for financial stability, financial services and Capital Markets Union has held [164 meetings](#) since 1 December 2014 (until 24 May 2016), including 28 with the 50 organisations we study here. He has held 39 meetings in London, undoubtedly handy if you are the UK commissioner meeting the UK financial lobby.

Most 'well-met' UK finance lobbyists

Lobby actor	Number of high-level Commission encounters
HSBC Holdings	24
Goldman Sachs	21
AFME	17
TheCityUK	17
Aviva Plc	12
British Bankers' Association	11
London Stock Exchange Group	11
The Investment Association	11
Bank of America Merrill Lynch	10
PwCIL	10

Lobbying DG FISMA

[Research](#) by Corporate Europe Observatory, Access Info Europe and Friends of the Earth Europe published in December 2015 showed that well over 90 per cent of meetings between DG FISMA officials (below director-general level) were with the corporate sector and less than 4 per cent were with NGOs, in the period between December 2014 and July 2015. Seventy nine per cent of the lobby meetings held were with banks, companies and corporate lobby groups and a further eleven per cent were with lobby consultancy firms working for corporate clients. Afore Consulting, a lobby consultancy firm working for clients such as Moody's, Morgan Stanley, Fidelity and Goldman Sachs, had most meetings with DG FISMA (10), followed by the European Banking Federation and HSBC, who both had nine meetings.

b. Expert groups

For a financial lobbyist, it is a dream scenario to be invited to advise on a new rule in the making, be it a law or regulation to be implemented with little or no participation from parliaments. The Commission very often invites representatives from the financial sector to participate in advisory groups, almost always including British financial corporations. Expert groups on financial regulation became controversial in the aftermath of the financial crisis, when it was revealed in a [report](#) that financial lobbyists had been massively present in advisory groups whose advice turned out to be disastrous.

Financial lobbyists have access to other kind of advisory groups at other levels. The supervisory agencies, the [European Securities Markets Authority](#) (ESMA), the [European Banking Authority](#) and the [European Insurance and Occupational Pensions Authority](#), all have consultative bodies dominated by or with strong participation from the financial corporations in the field. or example, the five ESMA expert groups working on the Markets in Financial Instruments Directive (MiFID) are dominated by industry (including banks, commodity traders, brokers and portfolio managers) and take at least 72 per cent of the membership seats. Civil society holds only 16 per cent of the seats.ⁱ The European Central Bank too, offers a space for financial corporations to contribute to decision-making in the Bank via the so-called [Market Contact Groups](#).

c. Think tanks

Several think tanks operating in Brussels have close ties to the financial services sector.

i. Eurofi

[Eurofi](#) says it is a “platform for exchanges between the financial services industry and the EU and international public authorities.” One of its objectives is to “open the way to legislative or industry-driven solutions.” Eurofi’s President is Jacques de Larosière, advisor to BNP Paribas and, in the aftermath of the 2008 financial crisis, he chaired [Barroso’s High Level Group of financial “wise men”](#), a group of mainly financial industry insiders to advise the EU on how to respond to the crisis. Eurofi offers various privileges to its [members](#), including Barclays, Fidelity, Goldman Sachs, HSBC and others on our list of 50 UK financial actors. The annual Eurofi Financial Forum is referred to by the [City of London Corporation](#) as “a key event in the EU financial services calendar (...) which brings together financial services industry representatives with EU policy makers.”

ii. Open Europe

[Open Europe](#) is a London and Brussels-based free market think tank, set up in 2005 by “some of the [UK’s leading business](#) people”. It produces research on a variety of topics relating to EU policy and declares its goal is to radically reform the EU, which would encompass its aim “to [counter taxpayer-funded groups](#) who favour more EU intervention”. Its [list of supporters](#), supporting Open Europe “in a personal capacity” includes HSBC Holdings’ deputy chairman. Open Europe has been active on the Alternative Investment Fund Managers Directive (AIFMD). The goal of this directive is the regulation of hedge funds and private equity funds; however, following heavy lobbying, the financial industry [managed](#) to “win what has been the first really open political battle on financial regulation in the history of the European Union”. Open Europe recently put forward [proposals](#) in this area, in a report published jointly with the [New City Initiative](#), a ‘think tank’ comprising “52 leading independent asset management firms from the UK and the Continent.

Lobbying the European Parliament

In total as declared in May 2016 and [calculated](#) by [Lobby-Facts.eu](#), the 50 UK financial services lobbies have an army of 140 full-time equivalent lobbyists. In May 2015, these 50 lobby groups declared 123 full-time equivalent lobbyists, so there has been a slight increase in lobbyists employed by these groups in the past year. In May 2016, these 50 organisations between them held 71 passes to enable easy access to MEPs in the European Parliament.

a. Meeting UK Conservatives

While there is little transparency among MEPs about the lobby meetings they hold, the UK Conservative group does provide [backdated lists of such meetings](#). Analysis of the data available from July 2013 to December 2015 shows that the biggest 16⁶ of the 50 UK finance lobbies we studied had 144 encounters with Conservative MEPs.⁷

By far the most active group in the European Parliament was TheCityUK which had up to 21 encounters in the 30 months studied. Barclays (18); the City of London Corporation (at least 18); HSBC (13); and the British Bankers’ Association (11) also appear to have active and effective European parliamentary lobby operations.

[Kay Swinburne](#), the UK MEP, was a key focus of this lobbying, perhaps not surprisingly as she is a member of the economic and monetary affairs committee (ECON) and a

substitute member of the special committee on tax rulings. Specifically, she has been active as a shadow rapporteur on issues of importance to the UK finance lobby including the Capital Markets Union, securities, MiFID, and others. And she has been a willing target of the UK financial services lobby. In a short two month period (September 2014–November 2014) she attended an investment event in Wales (the country she represents in the Parliament); an annual reception; ‘Investment in Cardiff’; and an annual dinner, all for just one UK financial services lobby group, TheCityUK! According to the data presented, in 30 months, Swinburne alone had 61 encounters with these 16 finance lobbies checked.

Another priority lobby target has been [Vicky Ford](#), the chair of the committee on the internal market and consumer protection. Ford was recently give the ninth highest ranking of all MEPs in Politico’s ranking of the [“MEPs that matter”](#). Judging by her lobby meeting declarations, Ford is a fan of meetings with multiple private interests represented. A case in point is the meeting she held on 13 October 2015 with HSBC, Barclays, Lloyds, Nationwide, Royal Bank of Scotland, Santander UK, and Standard Chartered on “EU reform”.

The finance lobbies analysed met with almost all other Conservative UK MEPs, including Syed Kamall, Anthea McIntyre, Ashley Fox and David Campbell Bannerman.

b. MEP-industry forums

MEP-industry forums are platforms that connect MEPs and ‘interested stakeholders’ (predominantly industry representatives) to meet and discuss specific issues. Several operate in the financial sector.

i. European Parliamentary Financial Services Forum (EPFSF)

The [EPFSF](#) claims to facilitate and strengthen “the exchange of information on financial services and Europe’s financial markets between the financial industry and Members of the European Parliament.” One of its vice-chairs is Kay Swinburne MEP and there are four other Conservative MEPs on the [steering committee](#) (alongside one from UK Labour (Socialist group) and one from the UK Independence Party (the Europe of Freedom and Direct Democracy group). There are 56 [financial industry members](#) including 13 which feature on our UK firepower list: Barclays, HSBC, Lloyds Banking Group, TheCityUK and others.

Its activities are financed by annual contributions from its corporate members; in 2014, this was [€8,000 per member](#). According to [EPFSF’s lobby register entry](#), it had an EU lobby expenditure of €300,000- €399,999 in 2015 although it also insists that it is “not a lobbying organisation”. At least 10 events have been planned for 2016 including a lunch event on “Review of the European System of Financial Supervision”; a lunch event chaired by Ashley Fox MEP on “Forthcoming Action plan on retail financial services”; a lunch event on “Follow-up to Action plan on CMU”; and a proposed lunch event on “British referendum on the EU” in September.

MEP-assistant training sessions are another part of EPFSF’s arsenal of influence, “designed to deliver a deeper understanding of financial markets and services”. For example, in April 2015 EPFSF hosted an [afternoon seminar](#) in the European Parliament on the “Economic role of banks in financial intermediation”.

i. Financial Future

[Financial Future](#) is a “discussion forum” set-up and led by former UK Conservative MEP and vice-chairman of the Parliament’s Economic and monetary affairs committee (ECON), [John Purvis](#) who is also a [senior adviser](#) with Brussels lobby consultancy CabinetDN. The group meets ten times a year to hold debates on “financial policy issues of regulatory concern”, with the aim of improving “mutual understanding of key issues between legislators and the financial services industry”.

Financial Future does not disclose its members, whether they be legislators or industry. But the group’s advisory board includes Fidelity Worldwide Investment. According to its [lobby register entry](#), its entire budget comes from member donations, and its website reveals its [2015 membership fees](#) to be €4750.

Financial Future [promotes its Brussels events](#) as targeting the relevant Commission unit and Parliamentary rapporteur or shadows, officials from permanent representations, regulators and senior representatives from European companies. It boasts of the opportunity they provide for “informal, enjoyable networking” and that stakeholder exchange at these early stages in the legislative process is more efficient than a series of one-to-one meetings with stakeholders. Recent events have included European Market Infrastructure Regulation (EMIR) review in May 2016 with a speaker from HSBC; Digitising financial services, in June to include a speaker from VISA Europe; and a host of other events including many other players from our firepower list: AFME, Barclays, London Stock Exchange, ISDA, The Investment Association and others.

UK finance sector and the EU revolving door

[John Purvis](#), ex-MEP and former vice-chair of the ECON committee is not the only EU decision-maker to take a spin in the revolving door to the private finance sector. [Sharon Bowles](#), was a UK Liberal Democrat MEP for nine years until 2014 and chair of the ECON committee for five years. Months later she joined the board of the London Stock Exchange Group as a non-executive director

in a move which MEP Sven Giegold labelled “scandalous”. More recently, she has also joined the board of the Prime Collateralised Securities initiative (PCS), which seems to be a lobby outfit for the finance industry. Its “indirect” members include big names such as Bank of America Merrill Lynch, Barclays, HSBC, and others, and it focuses on issues including the Capital Markets Union. Meanwhile, [Ivan](#)

[Rogers](#), the UK permanent representative to the EU (the UK’s top official in Brussels) and previously Prime Minister David Cameron’s adviser on ‘Europe and global issues’ has a background working for Barclays and Citigroup.

Conclusion

The evidence presented in this snapshot shows that the UK financial services lobby is very active in Brussels. It has the resources, the people and the access to ensure that its agenda is heard loud and clear, and this translates into serious political influence on the EU decision-making agenda. Its power makes it very difficult to introduce the effective regulation of financial markets in the public interest, and its constant campaigns to stave off or weaken regulation, makes another financial and economic slump like the one in 2008, all the more likely.

The cure is for citizens, not least in the UK, to get together and put pressure on politicians to disarm and defeat the lobby firepower of the financial sector.

Notes

- 1 The question in the UK referendum on 23 June 2016 is “Should the United Kingdom remain a member of the European Union or leave the European Union?”.
- 2 The 50 organisations are: AIG Europe Ltd, Alternative Investment Management Association, American Express Corporation, Aon Service Corporation, Association for Financial Markets in Europe, Association of Chartered Certified Accountants, Aviva Plc, Bank of America Merrill Lynch, Barclays, British Bankers’ Association, British Private Equity and Venture Capital Association, Building Societies Association, Capital International Limited, City of London Corporation, Deloitte LLP, European Insurance CFO Forum, Federated Investors (UK) LLP, Fidelity Worldwide Investment, Fitch Ratings Ltd, Goldman Sachs, Grant Thornton International Ltd, HSBC Holdings, ICAP, Institute of Chartered Accountants in England and Wales, Institutional Money Market Funds Association, International Securities Lending Association, International Swaps and Derivatives Association, International Underwriting Association of London Limited, Invesco Asset Management Limited, Legal & General Group Plc, Lloyd’s of London, Lloyds Banking Group, Loan Market Association, London Stock Exchange Group, Moody’s Shared Services UK Ltd., Morgan Stanley, Nationwide Building Society, Pensions and Lifetime Savings Association, Prudential plc, PwCIL, Royal Bank of Scotland, Standard Chartered Bank, Standard Life plc, The Association of Investment Companies, The Investment Association, The Wealth Management Association, TheCityUK, Vanguard Asset Management Limited, Visa Europe, Wholesale Market Brokers Association.
- 3 Data correct as of 18 May 2016.
- 4 We use the word encounter, rather than meeting, to indicate that some individual meetings held may be listed twice on the Commission’s website if several officials attended, or to indicate that some meetings may have been attended by more than one finance lobby. All data from LobbyFacts.eu database.
- 5 Yiorgos Vassalos “Le cadre de la coproduction des normes par l’autorité européenne des marchés financiers (ESMA) et les lobbyistes financiers” in “Les groupes d’intérêt au cœur du champ européen du pouvoir » ed. Willy Beauvallet et Cécile Robert (à paraître).
- 6 The 16 organisations who were checked for meetings with Conservative MEPs are: Alternative Investment Management Association, Association for Financial Markets in Europe, Bank of America Merrill Lynch, Barclays, British Bankers’ Association, City of London Corporation, Goldman Sachs, HSBC Holdings, International Swaps and Derivatives Association, Lloyds Banking Group, London Stock Exchange Group, Moody’s Shared Services UK Ltd., Morgan Stanley, Royal Bank of Scotland, The Investment Association, TheCityUK.
- 7 It is important to note that this represents 144 encounters, rather than 144 separate meetings, as some meetings were attended by multiple organisations, so there will be an element of double-counting.



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