

“Getting Brussels right: ‘Best practice’ for City firms in handling EU institutions.” A round-table discussion on the recent CSFI report, with the author, Malcolm Levitt, Verena Ross (FSA), Jonathan Taylor (HM Treasury) and John Houston (Kreab Gavin Anderson).

**Held on Thursday, January 20, 2011, from 12:30-2:15pm.
At Innholder’s Hall, 30 College St, London, EC4R 2RH.**

How are City firms dealing with the blitz of regulation coming from the EU? That was a key question posed at a recent round-table discussing the CSFI report, *Getting Brussels Right*. The inspiration for the research and subsequent report sprang from a comment made at an earlier CSFI round-table on London’s competitiveness and the potential impact of European regulation on the City. Given the City’s importance to the UK economy it was, as noted by the author, an issue that needed to be both understood and acted upon.

As the author laid out the conclusions on how City firms could improve their engagement with Brussels, he noted that while there were examples of ‘best practice’, too many firms were simply not engaging effectively (if at all). He also noted, along with the rest of the panel, that the ‘game’ had changed. The national discretion allowed for in earlier directives would now give way to the new European Supervisory Authorities (ESAs). All of the panel agreed that far more detailed, mandatory standards would be issued and implemented far more rapidly, allowing for far less wriggle room than previously.

Whilst agreeing that regulatory strengthening was needed, the speaker felt that the recent flurry of EU regulation reflected a long-running battle of attrition on regulatory approaches and competition between financial centres. He relayed the sentiment of one eminent figure interviewed for the report that “the crisis has given them a once in a lifetime opportunity to fix the rules to their liking”.

Given these changes, how best could firms engage with the City? One important conclusion of the report was that there was not enough ‘upstream’ involvement by City firms in the conception, drafting and legislative process. This required engaging with and noting the position of representatives from other national capitals and MEPs. One speaker noted the much deeper engagement of continental European firms compared with those from the UK or the US (with Goldman Sachs cited as an exception). Other speakers pointed to the need for engagement at all levels and not just with senior figures.

Another issue where panellists noted varied performance across the sector was on the quality of submissions from City firms. MEPs had conveyed the message that some submissions were excellent but stressed that a better standard of impact analysis was crucial in order to demonstrate the potential impact of regulatory proposals. There were firms that prioritised keeping abreast of regulatory proposals but a speaker also cited examples of firms where there was near ignorance of the process and key players. The move to shorter consultation periods and speedier implementation of regulatory proposals also highlighted the need for high quality research and assessment.

On the issue of whether or not there was a danger of over-lobbying, one speaker noted that his research had found a range of responses from MEPs. Some welcomed receiving the full range of opinion from the City whilst others noted, with irritation, frequent duplication and lack of co-ordination amongst firms. The overall conclusion

being that more professionalisation was needed, with an emphasis on the quality rather than the quantity of analysis.

In addition, in terms of the quality of the presentation of analysis, there was much room for improvement. Some common criticisms were that a lot of the analyses only emphasised the costs of regulation and ignored the potential benefits. It lacked context, in the sense that it often only focussed narrowly on a sector and didn't place the financial services industry in the larger economy. Following on from that, the City often over-emphasised its global nature and failed to highlight its contribution in a European-wide context, which gave the impression of undermining the importance of the EU. One speaker noted that what was particularly lacking was an analysis of the interplay between the financial services sector and firms in the 'real' economy. The tone of some presentations was also felt at times to be arrogant and condescending.

Good relationships, as all of the speakers agreed, were at the core of successful engagement and took years to build up. They also required making the trip to Brussels on a regular basis and perhaps, for some firms, having full-time representation there. One speaker noted that you were more likely to meet a representative from a US firm in Brussels than a British one. Continental firms, he said, typically required their heads to maintain good relationships with the relevant parties in Brussels and, where they didn't have a big presence, to use and form alliances. Winning 'hearts and minds' as one speaker noted, sometimes required letting others make the argument for you and bringing in a consumer perspective as well. Another panellist agreed, pointing out that it was more important to get the right person to make the case and, in some cases, that may not necessarily be a Brit. UK firms often failed to demonstrate this type of strategic thinking.

As one panellist noted, the notion of a 'strategic vision' was often greeted with scepticism by City firms but was necessary in order to influence policy. An effective strategy rather than a 'shopping list' allowed for planning and entering into the process at the early stages of decision making. He went on to say that the view from Brussels was that UK influence was lower now than it had been for some time. This was in part a consequence of the financial crisis but also reflected the low value that the British placed on roles in Brussels – postings to which are viewed as a career killer rather than a path to promotion in Whitehall. So while the capacity of the City to provide high quality reports was recognised, political skill was lacking.

Advice to the UK authorities from various members of the panel emphasised the need for high quality data and impact analysis (particularly in light of the beefed-up ESAs, where the UK would be just one voice around the table and might easily be outvoted). Also, it was crucial to get more British representatives in key positions in the EU and to get the right people on to the Boards of the ESAs. One speaker noted the huge workload that had been stacked up for the ESAs and the resulting emphasis that would be placed on quick action. In that sense, the report's recommendations needed to be acted on as soon as possible rather than reflected upon at leisure.