ROBERT GORDON UNIVERSITY ABERDEEN

This publication is made freely available under ________ open access.

AUTHOR(S):

TITLE:

YEAR:

Publisher citation:

OpenAIR citation:

Publisher copyright statement:

This is the ______________________ version of an article originally published by ____________________________
in ____
(ISSN _________; eISSN __________).

OpenAIR takedown statement:

Section 6 of the "Repository policy for OpenAIR @ RGU" (available from http://www.rgu.ac.uk/staff-and-current-students/library/library-policies/repository-policies) provides guidance on the criteria under which RGU will consider withdrawing material from OpenAIR. If you believe that this item is subject to any of these criteria, or for any other reason should not be held on OpenAIR, then please contact openair-help@rgu.ac.uk with the details of the item and the nature of your complaint.

This publication is distributed under a CC ____________ license.

____

JUSTIN GREENWOOD

(Robert Gordon University, Aberdeen, UK)

CHRISTILLA ROEDERER-RYNNING (University of Southen Denmark, Odense M, Denmark) [i]

THE 'EUROPEANIZATION' OF THE BASEL PROCESS: FINANCIAL HARMONIZATION BETWEEN GLOBALIZATION AND PARLIAMENTARIZATION

Abstract: Public policy initiatives aimed at the prevention of future financial crises originate with global harmonization in the form of executive standards issued by the Basel Committee on Banking Supervision. This article explores the role of the European Parliament (EP) in the process of adapting the standards in EU legislation passed in 2013 as the Capital Requirements Regulation/Capital Requirements Directive IV. Unlike accounts casting the European Parliament as increasingly dependent upon outside sources in order to meet its enhanced legislative role, we find it increasingly dexterous in developing and using in-house policy ideas, expertise, and not least a common sense of institutional purpose. Notable EP successes in final legislation include (but are not restricted to) a headline cap on bankers' bonuses in the face of entrenched business and national interests. The argument is developed by drawing upon a broad range of interviews together with other primary and secondary sources, tracing the contribution of the EP from the early stages of agenda-setting through to the development of an *'esprit de corps'* among the committee lead team which survived intact throughout the 'black box' of trilogue negotiations. Besides illuminating the notoriously opaque trilogue process, the analysis also contributes to contemporary

debates about whether the EP's increased legislative powers is resulting in a shift away from its traditional allegiances with diffuse interests towards a greater engagement with producer sources in order to fulfill requirements for policy expertise.

Keywords: Financial Regulation; European Parliament; trilogues; diffuse and specific interests.

Introduction

This article explores the role of the EP, Europe's directly-elected legislature, in the Basel process on banking supervision. It is located at the intersection of two bodies of scholarship. One the one hand, scholars of global financial regulation have traditionally described the Basel process as the quintessential exercise of executive power. The process is commonly viewed as the *domaine reservé* of regulators institutionalized in various intertwined arenas at the national, EU, and global levels (Slaughter 2004; Busch, 2012; Adamati and Hellwig, 2013). Parliamentary actors are hardly considered as relevant, let alone powerful, players, in this area of global regulation. At the same time, however, the recent scholarship on global financial regulations suggests that a new era of financial regulation is materializing in the wake of the crisis (Helleiner and Pagliari 2011). This new era is characterized by wider domestic politicization, as elected leaders and legislatures are more likely to intervene in financial regulation. They expect politicization to lead to political fragmentation, regulatory decentralization around regional blocks, and ultimately the weakening of international financial standards. From a different perspective, Posner (2009) claims that a shift took place at the turn of the millennium as a more balanced pattern of transatlantic regulatory cooperation developed. As regulatory competences started migrating to the EU level, the number of foreign operators 'willing to accept a regulator's decisions to gain access to customers and suppliers' increases (Posner 2009, 679), eventually generating new incentives for US authorities to accommodate EU demands. In other words, regulatory centralization at the EU level increased the global clout of European authorities. These findings do not yet add up into a coherent picture of contemporary global financial regulation, but suggest that regulatory competences are being recast across jurisdictional

levels and politicians are redefining their role—we have yet to understand how this happens and what the effects of these changes are.

On the other hand, scholars of EU politics have in the last decade claimed that 'a parliamentary Europe' has emerged as the EP, and to a lesser extent national parliaments, have sought and obtained important powers in EU politics (Judge and Earnshaw 2008; Crum and Fossum 2009). The EP is *the* institution, which has gained most power relative to other EU institutions in the last three decades of EU treaty reform. From the Single European Act onward, every EU treaty has conferred increased legislative power to the EP, making it 'one of the most powerful elected chambers in the world' (Hix et al 2003, 192). The legislative empowerment of the EP in EU treaties, which we refer to here as 'the parliamentarization of EU politics', clearly puts European integration beyond the pale of diplomatic politics while attesting to the power of democratic norms of legitimacy in treaty-making politics (Rittberger, 2004). What happens in the wake of the constitutional empowerment of the EP, and how the EP wields its new-gained powers, however, still remains a matter of debate. While scholars traditionally viewed the EP as the eager advocate of broad consumer and citizen concerns (Pollack, 1997; Burns, 2005), its growing legislative powers have led some to question whether the EP remains a champion of diffuse interests (Rasmussen, 2012; 2014). A growing trend has been for most EU legislation to be concluded through First Reading Agreements (FRAs) between the EP and the Council of Ministers (CoM), achieved through 'informal' though standardized negotiations in a 'trilogue' process between the EP, CoM and the European Commission (Rasmussen and Reh, 2014), with 81% of all legislation agreed through FRAs in the 7th legislative term (2009-14)

(European Parliament, 2014). As we describe later, concluding legislative agreements in this way requires each of the participating institutions to prioritize their goals, and to be prepared to give way on lower priority goals during the course of negotiations in order to achieve more cherished objectives.

At the intersection of these two bodies of scholarship, we explore the domestic politics of the Basel process in order to improve our understanding of financial transformation in Europe, the role the EP plays in EU regulatory centralization, as well as the impact of EP political intervention on the content and stringency of Basel financial rules. We focus on the Basel III Accord, agreed in November 2010 in the wake of the financial crisis in order to respond to the deficiencies of international financial markets. Its main objective was aimed at strengthening bank capital holdings by increasing bank liquidity and decreasing bank leverage. A broad coalition of actors in the new-established G-20 underpinned Basel III, acting with a sense of urgency (Rottier and Véron 2010, 2). Like Basel I (1988) and Basel II (2004), Basel III was incorporated into the EU framework of cooperation by follow-up EU legislation. The Commission's legislative proposals were released in July 2011: a 1,000-page legislative package including a twin Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV). The EP and the Council of Ministers, the EU's two legislatures, reached an agreement in March 2013 after twenty months of negotiations. Members of the EP (MEPs) were early on interested in shaping the Basel III Accord, and, once the Commission proposals entered the EP, promoted positions that both undercut strong interests in the financial industry and, on some points, overrode the European Commission's longstanding preference to act as a 'champion of regulatory harmonization' (Véron 2012, 9; Véron,

2008; Quaglia, 2010). We examine the pattern of EP engagement and assess outcomes on the basis of extensive and original primary evidence. Interestingly, the CRR/CRDIV on some points deviated from the Basel III Accord. We draw upon 19 elite interviews conducted between September 2012 and May 2014 with key MEPs, their staff, EP committee secretariats, two services of the European Commission (DG MARKT; Secretariat-General), two well-placed observers of the trilogue process from the Council of Ministers, and 8 key stakeholder organizations spanning producer and public interest domains, banks, and interest groups established at both European and national level.

The Logic of Executive Transgovernmentalism

Financial harmonization is characterized by multi-level regulation at the global, EU, and national levels (Wessel and Wouters, 2008). At the global level, the key arena for regulation is the Basel Committee on Banking Supervision (BCBS), or Basel Committee, founded in 1974 within the framework of the Bank of International Settlements (BIS). The Basel Committee has been described as a cross-governmental network of regulators, and an early example of executive transgovernmentalism (Slaughter 2004).

There are several reasons for the entrenchment of executive power in the Basel process. Some of these are related to the organization of the process. The membership of the Basel Committee is "deliberately" kept "small and selective" in order to promote efficiency, and has been described as having "highly homogeneous beliefs about the need for stability in the world banking system and how to maintain it" (Slaughter 2004, p.200). The Basel Committee brings together central bankers and bank supervisors

from twenty-seven developed and developing countries. Lacking legal personality, the Basel Committee cannot issue legally-binding acts, but it nevertheless plays a key role in financial regulation and harmonization by diffusing benchmarks and codes of best practices, most notably in the so-called 'Basel accords.' Legislators and judges are not represented in the Committee; and some have argued that national bankers have used the Basel process to reinforce their position at home (Macey 2000; Slaughter 2004, p.48). It is only in the implementation phase, when Basel soft law generates follow-up domestic legislation, that legislators and judges enter stage. Other reasons are related to the nature of legislatures. Legislatures are said to be inherently fragmented (their purpose is to represent cleavages), to have a parochial focus, and often to lack of expertise in complex technical matters, all of which complicate their involvement in global financial regulation (Slaughter 2004). As representative institutions, one of the main functions of legislatures is to express cleavages and political divisions. This gives rise to collective action problems. Normally, parties and internal parliamentary organizations such as standing committees would be key devices through which these problems are reduced. However, concerning global affairs, the incentives for parties to articulate interests are likely to be low, as ordinary voters do not tend to be interested in remote issues, and consequently do not reward politicians for their engagement. Furthermore, the notoriously technical character of expert standard setting in the Basel process is highly challenging for legislatures to make a difference. Information asymmetry is a main reason why banking regulation in general is prone to regulatory capture and banks can undermine regulation through their operational practices (Underhill and Zhang, 2008; Baker, 2010). This does not mean that regulators operate

outside political constraints, but that, *under normal circumstances*, legislatures play an indirect role in global financial regulation through powers of delegation (Singer 2004).

The articulation between the Basel process and EU regulation is extensive. Institutionally, one out of three members of the Basel Committee are EU member-states; the European Commission and European Central Bank have observer status. Politically, the role of the EU is bolstered by the fact that the EU adopts its own common standards within the framework of single market regulation. Traditionally, member-states enjoyed considerable power in this process qua their exclusive role in implementing EU directives. However, in response to the financial crisis, the EU has centralized its process by relying more increasingly on regulations (rather than directives), which bind member-states bind themselves both to the objectives of EU intervention and the means to pursue them. Regulatory centralization highlights the political significance of the EU market, for 'market size alone is insufficient as a determinant of regulatory influence' (young 2014; see also Bach and Newman 2007; and Posner 2009).[1]

Turning to the EP's role in the Basel process, we must distinguish between the negotiation of the Basel accords themselves, and the EU's 'implementation' of these accords. In the Basel process itself, and in accordance with the logic of executive transgovernmentalism, the "European Parliament only has a role to play at the end of the negotiation process, namely when the Council approves an international agreement to which the EC becomes a party. The Council can do this only after consulting the

[1] Global commercial banks sit among a diversely structured population comprising almost 8000 banks headquartered in Europe.

European Parliament" (De Meester 2008, p.121). This role is a consequence of the informal status of the Basel process, which is not legally binding on EU legislation. It is a weak role, which does not grant the EP any power in defining the content of global standards. The EP has criticized its lack of voice opportunity in the Basel process by casting a doubt on the democratic legitimacy of the process altogether. In a report on the Basel II negotiations drafted by its Committee on Legal Affairs, MEPs argued that "Basel II was agreed outside the legislative procedures of the European Community, which might justify doubts as to the democratic mandate of the proposal" (De Meester 2008, p.121). They have also tried "to know more about the positions the EU is officially taking through dialogue and discussion with the relevant officials" (Vander Stichele 2008, p.27). When the EU introduces legislation in response to Basel proposals, the situation is different because in financial regulation the EP has had co-decision power well before the Lisbon Treaty. What the EP cannot do in Basel because it lacks representation can in principle be attempted in the EU's post-Basel phase, where it enjoys co-decision power. Quaglia has argued that EU legislation introduced in response to the Basel process brings "supranational bodies (like the EP) squarely into the picture" (Quaglia 2010, p.65).

The EP and the 'Europeanization' of the Basel process

Europeanization is often understood as the process by which EU norms, institutions, and regulation are brought home to the different EU member-states (Ladrech 1994; Börzel 1999; Radaelli 2003). This makes sense from a state-centered perspective where the main question on the agenda is how EU matters for national politics, but it is less useful in order to understand what role the EU plays in bringing global regulation to

Europe. Shifting the analytic focus to the EU as a global actor, Europeanization may be understood as the process by which global norms are brought home to the EU. In this process, international regulation is infused with distinctive values and goals carried by EU policy-makers , reflecting the degree of regulatory centralization and involvement of elected political leaders at the EU level. Thus understood, Europeanization provides an overarching framework for exploring the phenomenon of 'regulatory centralization' which has been going on in the EU in the last decade and is redistributing influence in transatlantic relations (Posner 2009; Young 2014). We use this framework of Europeanization in a heuristic way as we are not interested here in testing formal hypotheses but generating 'descriptive-empirical knowledge' (Young 2014).

We have several reasons to expext the MEPs will be in the driver's seat of this process. First, in the last decade a new era of parliamentarization has started, where MEPs have supplemented their quest for legislative empowerment on internal matters with a will to parliamentarize the external relations of the EU. This point is illustrated by the recent EP rejection of the Anti-Counterfeiting Trade Agreement (ACTA) (Dür and Mateo, 2014), as well asserting a strong European public interest position in legislation with extra-terrestrial effects, such as the current revision of the General Data Protection Regulation (Clark, 2013; Dembosky and Fontanella Khan, 2013). As one of the most technical and opaque policy areas (Adamati and Hellwig, 2013), financial regulation represents a critical test of MEPs' will and ability to bring external relations to public scrutiny. Proving their efficacy in this area would enable MEPs to generalize their claim to policy competence. Likewise, as one of the most globally integrated policy areas, financial regulation provides MEPs with an ideal site to pursue this strategy of

‘parliamentarizing’ global relations, counterbalancing the role of executive actors in an area which has been characterize by growing regulatory centralization. Second, MEPs benefit from a ’carte blanche’ effect arising from the fact that they are not institutionally involved in negotiating Basel accords. The Commission has indeed tended to interpret its role in EU legislation in these matters as ‘transposing’ the Basel process (Quaglia, 2010). In doing so, not only has the Commission abstained itself from using its agenda-setting power, it has also tied the hands of the Council by basing a great deal of EU directives on the content of the Basel process. The EP must assuredly give its consent to the overall agreement reached in the Basel process, but it has long set its sights on the thin democratic underpinning of the process and tends to perceive the ‘implementation’ of the Basel process as a new game, in which it is freed from commitments contracted during the negotiations. Third, MEPs can be expected to be lobbied by a range of stakeholders, which are not well represented in the Basel process and seek inclusion in the phase of implementation. Consumers of financial services are highly diverse, and the regulation of ‘business to business’ transactions inevitably results in competitive interest group politics (Young, 2012). One may expect those whose preferences are not reflected in the Basel accords to link up with MEPs, who can use their discretionary power to ‘pick and choose’ from among the detail of preferences presented by different stakeholders and regulators in favour of stricter or more lax regulation. Finally, in the last few years, MEPs have benefitted from relatively favorable political opportunities as the financial crisis gives high public salience to the behavior of financial actors and provides them with an opportunity to bring principled positions to the fore.

EP influence requires the development of organizational and policy knowledge as well as a collective sense of purpose. Knowledge is a *sine qua non* of EP agency. This condition covers both organizational knowledge, i.e., an understanding of how the Basel process works and how MEPs can shape it at its different stages; and policy knowledge, i.e., an understanding of the policy details sufficient to grasp the issues of stake behind the technical jargon and formulate policy alternatives (Busby 2013). As it takes time to develop institutional capabilities of this type, EP agency will develop incrementally with each round of the Basel process along a recognizable set of themes. Provided growing organizational knowledge, one should expect MEPs to expand their repertoires of action over time and increasingly to seek to shape the negotiations ahead of the implementation phase.

In the implementation phase, the practice of 'trilogues' imposes limitations to EP power through the need to agree legislation through inter-institutional negotiation. In CRR/CRD IV, the trilogue process involved almost 40 inter-institutional meetings to negotiate the final legislative agreement. There is disagreement as to which institutions gain most from trilogues (Costa et al, 2011; Häge and Kaeding 2007; Kardasheva, 2012; Rasmussen and Reh, 2013). EP negotiators are always subject to pressures exerted by member states. Influencing legislation at this stage requires that the EP negotiators prioritize their goals and maintain unity on a cross-party basis. This sense of collective purpose partly depends upon the skills of the Rapporteur and the EP Committee Chair, but its origins are usually to be found in the development of an *esprit de corps* among the Rapporteur and the Shadow Rapporteurs in working together on a

legislative file over a long period of time at the committee level. In the case of CRR/CRDIV this was a period of almost four years (2009-2013).

In sum, MEPs are equipped with the constitutional power to amend the adoption of Basel standards; unlike Commission officials who commit themselves to the framework qua their participation in the early phase of the negotiations, MEPs can use their little formal involvement in the Basel process to reopen negotiations at this stage on selected points of interest. They have good reasons to do this in an era where the EP turns to global politics as a site of power, at a time when the financial crisis is propicious for furthering principled positions, and as parties whose preferences are not reflected in the Basel process might call them to do so. This requires a more systematic assessment of the EP's policy-making contribution to the Basel process.

Responding to the Basel III process: the European Parliament's policy-making contribution

Basel III was a response to the failure of regulation to prevent the global financial crisis, underpinned by a public sense of indignation (Woll, 2012). The newly-established G-20, encouraged by a broad coalition of transatlantic civil society actors (Kastner, 2014), identified a total 39 action items aimed at improving financial regulation in their Summit declaration of November 2008, accounting for almost all of their meeting conclusions (Rottier and Véron 2010, 2). As a result, the Basel III accord was agreed in November 2010, only seven years after the Basel II accord (but more than twenty years after Basel I). A key difference between the two accords was to extend the scope of regulation beyond capital to embrace liquidity and leverage. Basel I and II regulation

had involved international standard setting for the levels of capital which banks should hold in order to be able to absorb losses at times of stress. The detail of these had been partly based upon internal capital risk exposure weighting models used by the banks themselves (Lall, 2012; Young, 2012). Basel II rules had therefore allowed banks to rely too extensively upon a wider range of assets which resulted in them being highly leveraged (Howarth and Quaglia, 2013), particularly in the case of some European banks (Young, 2014), and of insufficient value during a global financial crisis of unprecedented scale. Basel III therefore sought to increase capital holding levels, change risk weights and tighten definitions of the more secure types of capital (Common Equity Tier 1), and introduce capital buffers, as well as measures to raise liquidity and reduce leverage. Nonetheless, Basel III still left risk exposure weighting models used by the banks themselves largely as they had been with Basel II standards (Lall, 2012). The question of whether to develop further regulatory standards on the banks internal risk models, and if so what form these might take, would have to be left to expert banking supervisory bodies to develop, which in the case of the EU meant the European Banking Authority (EBA) newly established in 2011.

Like previous Basel accords, Basel III was incorporated into the EU framework of cooperation by follow-up EU legislation, but unlike in the past, EU legislators this time adopted not just a Directive on capital requirements (the so-called CRD IV) but also a Regulation (CRR) providing a single rulebook in this domain. The addition to the legislative package of a Regulation (in addition to a Directive component) centralized EU regulation in this domain by reducing the scope for regulatory arbitrage among the member states and creating more uniform application of standards. The EP played a

key role in this process since both legislative acts were subject to co-decision. The Commission's legislative proposals were issued in July 2011. The sheer size of the CRR/CRD IV legislative package contained the characteristic mixture of technical expertise and opacity characteristic of financial regulation. The technical content of the CRR/CRD IV package involved the designation of ECON as lead committee in the EP; EcoFin took the lead in the Council. In the EP, the MEPs active on CRR/CRD IV included: the Rapporteur, Othmar Karas (Austrian, EPP); the Shadow Rapporteurs from the main parties in the EP on ECON—Udo Bullmann (German, PES); Vicky Ford, (UK, ECR); and Philippe Lamberts (Belgium, Greens/EFA); as well as the Chair of ECON (Sharon Bowles, ALDE, UK). These MEPs, drawn from five different parties, were involved in compositing the amendments submitted by MEPs on the Karas report. ECON considered 2,200 detailed amendments to the CRR/CRD IV legislative package between November 2011 and February 2012. The team agreed upon a package of compromise amendments, which were approved unanimously by ECON in May 2012. The ensuing phase of trilogue negotiations between the Council and the EP was concluded in April 2013.

Whilst the EU did not played a prominent role on the global stage in financial regulation (Mugge, 2011; Quaglia, 2014), there is clear evidence that the parliamentary process infused the European transposition of Basel III accords with distinctive features. Indications of this could already be found in the set of new European Supervisory Authorities (ESAs) for financial regulation voted through by the European Parliament in September 2010 (Kastner, 2014), and in the July 2011 Commission CRR/CRD IV legislative proposals themselves. Observers found that "the proposed legislation (fourth

Capital Requirements Directive and Capital Requirements Regulation …) diverges from Basel III on some aspects of the definition of regulatory capital" (Véron 2012, p.14); and furthermore interpreted this move as an illustration that the Commission, once "a determined champion of global regulatory harmonization throughout the 1990s and 2000s … has shifted markedly since 2008 towards a more unilateralist stance" (Véron 2012, p.9). In the EP, the Green Party, and the Party of European Socialists (PES) joined trade unions and NGOs in the formation of the 'Europeans for Financial Reform' (EFFR) campaign to play an active part in the process of reforming financial regulation (Kastner, 2014). Once in the EP, the Commission draft was subjected to a number of important modifications. In line with the EP's *modus operandi*, these modifications took the form of 'add-ons,' whereby MEPs introduced several ideas that were neither in the Commission's draft nor in the Basel III accords, and corrected the line impulse by these institutions. These "add-ons," or corrective ideas, were of three main types, and which had not appeared in the Commission's legislative proposal of July 2011.

- Preservation of mutual protection schemes used successfully by German and Austrian savings banks, and measures to soften the impact of regulation upon the supply of lending to SMEs.

- Remuneration, in which variable pay may not exceed fixed pay unless a 'shareholder override mechanism' (requiring a 66-75% majority, depending on circumstances) extends this to a ceiling of twice fixed pay with deferred elements.

- Transparency related measures, including: public disclosure of leverage ratios; country by country reporting of profits subsidies and taxes; blacklisting miscreants; and hypothetical benchmarking (requiring justification of capital levels which fall below a benchmark set above the minimum requirement).

These add-ons survived throughout the legislative process into the final legislation. They must be considered as significant corrections. While the outcomes of EU legislation on savings banks and SMEs did not receive much media coverage, it is important to note that these measures are technically not Basel compliant, which Karas presents as evidence that the Commission was more attentive to the lead provided by the European Parliament than to the Basel III accord. Nonetheless, these measures were supported by a number of key countries in the Council (Germany, France and Austria).

MEPs also lost battles. Among the items that the Parliament unsuccessfully sought to amend were tighter proposals on leverage and a faster timetable for the introduction of the LCR (with implementation sought in 2018 instead of 2019). On this issue the Commission took the same view as the revised Basel Committee position, informed by a concern that the effect might be to incentivize a shift from lending to more liquid assets such as cash and central bank deposits (European Commission, 2013). There were similar issues surrounding the introduction of a new leverage ratio. The final legislative position on leverage, requiring disclosure of leverage ratios by 2015, and leaving the question open as to the introduction of a binding leverage ratio by 2018 or whether to leave this as a matter of national flexibility, reflects a political agreement in which the EP's tighter proposals were squeezed out. However, the final agreement was

sufficient to create problems for some of the larger banks, particularly from France and Germany, with high leverage ratios.

All in all, *within the given framework* of the Basel / Commission proposals, MEPs were able to achieve policy gains that both undercut strong interests in the financial industry and, on some points, overrode the European Commission's longstanding preference (Véron, 2008; Quaglia, 2010) for a strict harmonization of the Basel standards. In the following sections, we examine how MEPs secured these gains. We start by noting that policy achievements represented the fruits of sustained work going back to previous Basel negotiations. The financial crisis provided MEPs with an opportunity to bring principled positions to the fore and break the deadlock of vested interests. Beyond the crisis, new ideas and a more pluralistic environment are underpinned by the institutionalization of consumer interests undertaken under the aegis of individual MEPs.

A Revisionist EP

In this section we demonstrate how the EP was able to draw upon its own resources as a means of establishing an independent and technically credible position in a policy field of notorious complexity, and establish a mechanism to make it well placed to develop a leading role on a key point of departure in the EU position from Basel standards.

Prelude to power: A Growing Reservoir of Ideas and Expertise

Both the idea of a cap on bank bonuses and the idea of differentiating standards in reflection of the various risk profiles of different types of businesses had been unsuccessfully pursued before. One of the chief authors of the cap on bank bonuses,

Philippe Lamberts, stressed that the Greens had already tried to push this idea through during the course of EU legislation on CRDIII in 2006. Back then, the idea had failed at the first hurdle, i.e., at the Committee stage of debate in the EP, when the Greens had sought to introduce it. But the idea had emerged and been refined to a point where the Greens were satisfied that they had "a matrix" to work with, which enabled them to specify their preference within a broader universe of policy options emphasizing different combinations of cash / non-cash remunerations and immediate / differed remunerations (Interview, 8.3.2013). They came out of those negotiations with the conviction that the immediate cash component could not exceed a certain threshold. Similarly, the issue of SMEs and savings banks was not the first time that MEPs had advocated a differentiated treatment of business on the basis of their risk profile. . "The draft report [of the EP] called for a regulation that was 'risk-based', arguing that the risk profile of custodian banks was different from that of central securities depositories" (Quaglia 2010, p.118-9). The framework and the actors were different, but the approach of the EP was essentially the same.

Building on these early experiences, MEPs could draw on a growing reservoir of expertise. Expertise is the nerve of war in financial regulation, where information asymmetry strengthens financial actors. The EP has traditionally struggled with this problem. In 2008, Vander Stichele recorded that "the capacity of ECON members and their assistants to deal with the [financial regulation] matters is not … sufficient, certainly not compared with US congress members—who have much more assistants" (Vander Stichele, 2008, p.27). However, by 2008, the EP could mobilize a very respectable reservoir of in-house expertise on a range of financial issues. "The

expertise of some of the ECON members is high, as can be seen in 2008 in the detailed resolutions and own initiative reports with recommendations to the Commission on regulation of hedge funds and private equity, transparency of institutional investors, and the 'Lamfalussy follow-up…'" (Vander Stichele, 2008, p.27). A first step involved procuring an independent critique of the European Commission's impact assessment accompanying CRR/CRD IV (European Parliament, 2009). Shortly afterwards, the EP established an Economic Governance Unit with the specific purpose in the first instance of building up expertise in banking supervision, and the first unit in a long-term plan (to 2025) for the EP to acquire its own in-house expertise capable of undertaking impact assessments independently from the European Commission (European Parliament, 2013).

It is against this background that Lamberts and Karas were determined to set the agenda on the CRR/CRD IV legislation. Lamberts had taken over the EU dossier on Basel II when it was already well underway and in an unreceptive EP. This time, he benefitted from a context dominated by the financial crisis: there was a political will that banks would have to take a back seat in the new regulatory standards. Karas was driven by the aspiration to bring parliamentarians back in international regulation. In his own words, "the involvement of the EP in the process of international agreements is becoming more important. My interest is to parliamentarize international negotiations, i.e., to involve parliamentary actors" (interview, 18.9.2012). It is surprising that MEPs with such different background and political orientations found common cause on such an issue, but the centrists'—among whom Karas may be counted—dislike for monopolistic business practices dovetailed with the Greens' focus on broader consumer concerns.

Leveling Up with Basel: The ECON Team and Its Tools of Influence

There is no doubt that the ECON team, which worked on the EU package, was both technically and politically strong. The ECON secretariat doubled during the period covered by the CRD file. We were also informed in a number of interviews in the EP that this particular EP Committee was notable for the depth of technical knowledge among the assistants to MEPs. Othmar Karas, the Rapporteur appointed by ECON in 2009, was vice-president of the EP and had a professional background in financial services. The presence of two members from the UK parties of government ensured that the UK's dominant position in the EU on financial services was well represented. The Greens, around Philippe Lamberts, could draw upon a substantial pool of expertise on financial services, which comprised French Pascal Canfin, a former journalist for the monthly economic magazine *Alternatives Économiques*, and German Sven Giegold, one of the founding members of ATTAC Germany. Giegold was also the Rapporteur for another legislative financial services measure under consideration shortly after CRR/CRD IV, aimed at the activities of fund managers, UCITS (Undertakings for Collective Investment in Transferable Securities) V. This raised the stake of establishing new regulatory principles in CRR/CRD IV, which the team wanted to carry forward into subsequent legislative files. Together with the Chair of ECON Sharon Bowles, Karas could draw upon a working team with both knowledge of banking supervision and a collective political will to leave the Parliament's hallmark on the legislation. Despite the obvious differences of approach, this team formed a relatively cohesive working group to take CRR/CRD IV together in the EP. ECON illustrates

very well the tendency for EP committees to evolve "an identity and *esprit de corps* of [their] own" (Corbett et al 2011, p.106).

At a later stage, producer interests emphasized more the determination of the 'Green team' than their collective expertise in their public commentary, though this may be sour grapes; the Greens were certainly taken seriously in financial circles. Lamberts told us that the civil servants from the UK Treasury made a point of calling by his office during trips to Brussels. The European public affairs manager of a large global commercial bank made an observation that what he had seen in 2013 was "an increasingly self-confident, very determined European Parliament. They've done a remarkable job with CRR/CRD IV. The quality has been good" (interview, 20.3.2013).

The EP held a public hearing on financial regulation in May 2010, hoping to agenda-set not just the EU legislative process, but the Basel III negotiations themselves. The Secretary-General of the BCBS was one of the keynote speakers, although the content suggests that the purpose was to inform the EP rather than to consult with it (Walter, 2010). The hearing helped to inform an own-initiative report led by Karas adopted in September 2010. This placed the Commission in the unprecedented situation where it had to react to both the Basel accord and the EP report when drafting its proposals. According to Karas and Commission officials, this approach led to the incorporation of key EP points in the Commission proposals (interviews, 18.9.2012; 7.3.2013).

The other tool was the informal institution of 'parliamentary intergroups.' Intergroups are fora enabling MEPs from any political groups and committees to hold "informal

exchanges of views on particular subjects and promote contact between Members and civil society". Any MEP may join an intergroup but intergroups must be endorsed by at least three political groups, and there is a statutory limit to how many intergroups political groups may endorse. In November 2010, i.e., one month before the Basel III accords were reached, Othmar Karas became the chairman of a new intergroup on SMEs (small and medium-sized enterprises). The intergroup was Karas's idea, and he asked a contact at the EU SME association UEAPME to organize extra-parliamentary input (interviews, 18.9.2012). This intergroup provided the main conduit for exchange, organization, and mobilization of SME and SME-related interests. SME organizations worked in concert with Austrian banks, the German Savings Banks Association (DSGV) and the European Savings Bank Group, to reformulate the one-size-fits-all approach adopted by the Basel III accords, which, they claimed, treated them unfairly in regard to their low risk activities. The idea was to promote a risk-based approach: "Basel III originally only looked at the passive side, and did NOT look at RISKS at all on the asset side. We say if we want to combine more capital requirements with NO other costs for SMEs, then we have to change the risk factor for SME loans" (interview, UEAPME, 18.9.2012). On these issues, the European Commission was reluctant to depart from the Basel line: "the European Commission follows the Basel Committee model, which has in mind one actor: the transnationally active joint-stock market company. The Commission argues that this is due to the single market. When the issue reached the White Paper stage, we voiced our opinion but to no avail. So we had to go to the EP" (Interview, EU-Repräsentanz Deutscher Sparkassen- und Giroverband, 4.3.2013). The Commission's perspective was informed by its long-standing push for a strict implementation of the Basel standards: the argument was that "if we weaken

implementation then we cannot blame the others, so we want to fulfill our commitments. The area where we can be criticized by the US is the new SME risk-rate" (Interview, UEAPME, 18.9.2012). This deadlock could only be broken through EP activism. The position of savings banks had been introduced to the EP's positions "elegantly and without much discussion" according to one well-placed observer (interview, European Parliament, 4.3.2013).

These tools were the vessels through which the risk-based approach was distilled into the Basel process at EU level in spite of the opposition of the Commission. The idea of a cap on remuneration followed another path. Lamberts and his team introduced this idea late into the legislative stream; by the trilogue stage it was clear that only one member state would oppose it. The strategy the EP followed on this point, as well as other points still controversial at that stage, is described in the next section.

A final element of the expert input generated by ECON involved one of its (Green Party) members providing pump-priming funding (from his own pocket) in 2011 to launch the NGO *Finance Watch* until resources from other NGOs, trade unions, and now the European Commission, secured longer term funding. They recruited as core staff financial services specialists, including one with experience in a public affairs consultancy. Resourcing is now at a level sufficient to maintain a staff of 14. The niche of Finance Watch is specifically to counter the monopoly on the supply of financial services expertise to political institutions which producer sources previously enjoyed. Whilst its formation came relatively late into the development of the CRR/CRD IV file,

some of its 'fingerprints' can be found in the text of the legislative agreement (in particular, Article 90 of CRD IV).

Opening up the Black Box of the Trilogues

Trilogues are often presented as the black box of EU legislation. At this stage, the negotiations are out of the hands of stakeholders. This has typically been portrayed as problematic from a democratic point of view. On the other hand, politicians have to account for their decisions in the post-trilogue phase, and there are mechanisms of democratic oversight in both the Council of Ministers (CoM) and in the European Parliament. In the CoM there is an orientation debate involving Ministers at the outset, and changes to the Council's position are regularly updated in COREPER, the ambassadorial level . In the Parliament, Rule 70 of the Rules of Procedure, coupled with Annex 21, require that the negotiating team report back to Committee after each Trilogue, and in exceptional circumstances (such as time constraints) to the political group co-ordinators in committee. The EP has a negotiating team, monitored by the Chair of the Committee (or nominated representative), the political group observers, as well as the Rapporteur and Shadow Rapporteurs. The ECON committee is notable in that the Chair (7th term) attends every Trilogue meeting on almost every file, which provides for group cohesion and common ownership over a series of prioritized goals. Where issues are of a high public saliency, the EP negotiators can use public opinion to press their opponents (Rasmussen, 2014).

In the Shadow of Public Opinion

Interviews we conducted in the European Parliament, as well as among banks that had actively lobbied on CRR/CRD IV, provided extensive confirmation about the Rapporteurs and Shadow Rapporteurs receiving delegations from national administrations. In return for information about the political process, national civil servants provided MEPs with technical information. The EP Secretariat also drew upon secondments from national finance ministries during the lifetime of the measure as a means of supplying expertise to ECON.

In addition to securing its supply of expertise during this phase, the EP delegation developed political leverage through front-loading the political items during the trilogues. According to one well-placed Council observer, this is a good trilogue strategy where there are points of strong contestation between the two institutions, and is worked out informally by officials from the respective institutions beforehand. The length of the legislative file meant that most of the team had to choose the areas upon which to specialize. It was therefore essential for the EP trilogue negotiation team to establish its list of priorities among contested issues, and those with the highest public profile were front-loaded. This may sound paradoxical given that trilogue removes debate temporarily from public scrutiny in order to facilitate compromises. Still, the strength of public opinion about the role of banks in the financial crisis shaped the trilogue negotiations on CRR/CRD IV. MEPs were partly aided by their good fortune. One of the key arguments of the UK, that the cap would result in a flight of talent to Switzerland, was ultimately undermined during trilogue negotiations by the decisive result of a Swiss referendum in favour (68%) of a cap on bankers' bonuses. For the

most part, however, the Greens and other members of the ECON team cultivated public opinion. Their strategy was to "squeeze the finance ministers between a rock (the EP) and a hard place (public opinion)" (Interview, European Parliament, Brussels, 8.3.2013). Sven Giegold launched an electronic petition two days before launching the conclusions of the negotiations in the media. Beyond these actions, negotiations progressed under the permissive consensus created by the financial crisis that banks would have to take a back seat. As one participant in the trilogue told us, "it boils down to public pressure. If they had said, it's not important, then we could have scandalized" (Interview, European Parliament, Brussels, 8.3.2013). 'Public opinion' did not have to be there to exert power. It had latent power.

The flip side of this strategy was that MEPs lost most of the items that carried less public significance because they were too complex to be communicated easily to the broader public. CRR defers the establishment of a key element of liquidity, a Liquidity Coverage Requirement (LCR), to a phase-in period from 2015-2018 through delegation of powers to the European Commission, allowing for a period of observation as to the potential impact upon bank lending of the rate at which the LCR is introduced. The EP had clearly wanted an earlier introduction. However, the technical nature of the issue meant it carried much less public significance than bankers' bonuses, and the EP negotiators gave way on LCR to achieve the high profile cap on remuneration. LCR had been the first priority for the French banks, in particular, where the relationship with the responsible Commissioner, Barnier, appeared to be a factor which helped to secure the legislative outcome. The leverage ratio was the main priority for the large German banks due to their high ratios, although less so for British banks which had

already succeeded in bringing down their rates. Whilst the final outcome was less than the Parliament had sought, it was still to a timescale uncomfortable enough for Deutsche Bank to issue further equity after the trilogue agreement (Commerzbank had undertaken related measures 12 months previously; Howarth and Quaglia, 2013) as a means to respond to market pressures. If the EP caved in quietly on LCR and leverage so as to secure its main prize of a cap on bankers' bonuses, the loss would be unlikely to be noticed in public discourse. An intriguing postscript is that when we returned to the European Parliament in May 2014 for a further round of interviews, we were informed that the Council had, in retrospect, reflected that the Parliament had also been right to push – successfully – for the inclusion of certain transparency related measures in the final legislative package.

Sealing the result: Issue-trading and Discipline within the EP Delegation

The overall scorecard for the EP also masked the subtleties of the political process of issue trading within the EP itself. ALDE and ECR went along with the principle of a cap on bankers' bonuses in order to secure sufficient modifications to its detail. The version agreed in the EP ultimately survived in final legislation, that variable pay may not exceed fixed pay unless a 'shareholder override mechanism' (requiring a 66-75% majority, depending on circumstances) extends this to a ceiling of twice fixed pay with deferred elements. The topic was an issue largely driven by the Greens in ECON (Lamberts, Canfin, and Giegold). The feats of the Greens received broader public acclaim, as it was widely perceived to undercut the position of vested interests in the financial industry: a *Financial Times* feature profiled Lamberts as *'The man who capped the banks'* (Barber and Schäfer, 2013) and Giegold as '*The newest scourge of*

the industry' (Sullivan, 2013). The front cover of the French weekly magazine Télérama proclaimed '*Canfin, Foe of Finance'* (Remy, 2012). This team had originally sought a more restrictive version on remuneration (a ceiling of one half of fixed pay paid as variable pay), but had agreed to soften this in order to achieve the backing of Rapporteur Karas as well as the British Conservative Shadow Rapporteur Vicky Ford. Ford's support was significant because of her membership of the leading party of government of the United Kingdom, and helped isolate the UK's opposition to a cap on remuneration.

By giving way in order to obtain consensus among the entire EP team negotiating with the Council of Ministers in trilogue, the Greens (supported by the Socialists) secured the outcome they had sought. An observer from one of the institutional secretariats present during the entire trilogue negotiation process noted a high degree of discipline between the Parliament's negotiating team throughout (interview, 6.3.2013). CRD/CRR was an outlier in terms of the large number of trilogue meetings involved, and the *esprit de corps* between the EP team appears from Lambert's public account of the process, in which he praised EPP member Karas for the way he fought 'like a lion' for team positions (Lamberts, 2013, p.11). In turn, during the joint EP/Council debate on the final legislative package, Karas paid tribute to what had been achieved 'thanks to the positive negotiating spirit of the five major political groups', the individual trilogue negotiatiors from which received thanks from the subsequent Council Presidency speaker (Council of the European Union, 2013). This tactic involved mixed degrees of sacrifice. Allowing for elements of national flexibility would mean higher standards in key member states, most notably in the UK where higher regulatory standards pre-dated

a number of measures being introduced at EU level (Independent Commission on Banking, 2011; Howarth and Quaglia, 2013). Yet for the UK ECR member, as well as the Chair of ECON, cooperating to secure the cap on bankers bonuses also meant going against the position of their national parties of (coalition) government.

Conclusion: EU financial reform between globalization and parliamentarization

In this paper, we claim that the weak constitutional mandate of the EP in the Basel process helped to fuel the drive to underpin regulatory centralisation with democratic standards when MEPs established a role for their legislative assembly in the implementation phase. Under normal conditions, MEPs are called on to defend and promote interests which have not received adequate considerations in the global negotiations. The possibility to shape financial harmonization away from conventional corporate business norms is all the greater during the financial crisis when MEPs have the opportunity to bring principled positions to the fore. However, given the multi-national dimension of EP politics, an important precondition for MEPs to make a difference when faced with expected Council opposition is that they be able to draw on technically-persuasive arguments and a common sense of purpose.

There is considerable evidence that the EP has learnt to act within its institutional mandate to make an impact upon the course of EU financial regulatory reform, a field long dominated by transgovernmental executive powers. In conformity with our expectations, the EP successfully introduced significant identifiable components into the final legislative package in the implementation of the Basel accords. This is most apparent through politicized elements involving remuneration and transparency related

measures. However, its impact upon less politicized components has also been felt, involving lending to small firms, and special measures to preserve long standing and largely successful arrangements for the survival of savings banks. In other words, the Basel process is a 'living institution,' which in Europe has become infused with some of its own distinctive values and ideas.

As we have traced the Europeanization of the Basel process, we do not find support for the thesis that the European Parliament is being increasingly drawn towards producer interests at the expense of its traditional leanings towards diffuse interests. There is no tendency evident in this case towards convergence of EP and Council positions as a result of an ever more powerful Parliament. Whilst CRR/CRD IV involved a highly complex and technical legislative file, a group of MEPs seized the opportunities offered by the financial crisis to expand their repertoires of action and promote alternative principles of action in the financial arena, seeking to agenda-set the EU response to the Basel process, and to make a distinctive contribution to the final legislative content. This knowledge – and political teamwork - came from within the Committee on Economic and Monetary Affairs, supplemented by seconded resources from national ministries to the committee secretariat. It was sufficient to enable it to counter arguments from producer lobbies where it most wanted to, and to reduce information asymmetries between the Commission and the Parliament to the extent that the EP could ensure that its 'refreshing ideas' should be accepted by the Commission. This is an important qualification to the gloomy picture of over reliance upon the Commission as an information resource (Marshall, 2012). Undoubtedly, its key prize, the cap on bankers' bonuses, was more of a political concept than a technical one, and the prize of

public appeal helped to find agreement as to the extent of the cap among the EP trilogue negotiating team. This prize eluded the 'Green team' on ECON next time round, when the EP narrowly voted (by seven votes) to reject a bonus cap in the UCITS V legislative file. CRR/CRD IV had proved to be the "high-water mark of bonus bashing" (Barker and Marriage, 2013). Fund managers are less in the public eye than bankers and sustaining the political momentum proved problematic for the Greens. On less politicized issues the European Parliament is a more unpredictable place.

Our case clearly demonstrates the deficiency of accounts of policy outcomes, which pay no attention to the contribution of the European Parliament. Such a restricted focus is surprising given the long-standing role of the EP as a co-legislature. The literature on financial regulation is particularly orientated in its focus upon transgovernmental executive power and intergovernmentalism, which forms a natural starting point given the role of the Basel accords. But these involve standard setting, which requires territories to adapt and adopt as legislative measures, and here the role of parliaments is clear. Against a generalized assumption that parliaments are ill equipped to cope with the technical demands of financial regulation, we have demonstrated that expertise sufficient to shape legislation is present in the European Parliament, and given political will EP goals of finding ways to demonstrate its value to civil society can be achieved. This dictates that the general direction of travel will still be towards 'diffuse' rather than producer interests on issues of high public salience.

References

Adamati, A. and Hellwig, M. (2013) *The Bankers' New Clothes: what's wrong with banking and what to do about it.* Princeton University Press, Princeton, NJ.

Andlovic, M. and Lehmann, W. (2013) Trilogues in early adoption of legislative acts? Who benefits, who loses influence, paper prepared for presentation to the biennial conference of the European Union Studies Association, Baltimore, http://www.euce.org/eusa/2013/, accessed on 17.5.2013.

Baker, A. (2010) Restraining Regulatory Capture? Anglo-America, Crisis Politics and Trajectories of Change in Global Financial Governance. International Affairs 86 (3), 647–63.

Barber, A. and Schäfer, D. (2013) The man who capped the banks, *Financial Times*, 2.3.2013, p.2.

Barker, A and Marriage, M (2013) Fund Managers thank Stalinists for Bonus Vote, *Financial Times*, 5.7.2013, p.3.

Borzel, T. A. (1999) Towards Convergence in Europe? Institutional Adaptation to Europeanisation in Germany and Spain. *Journal of Common Market Studies* 37(4), 573-596.

Burns, C. (2005) Who pays? Who gains? How do costs and benefits shape the policy influence of the European Parliament? *Journal of Common Market Studies* 43(3), 485–505.

Busch, A. (2012) *Banking Regulation and Globalization*. Oxford University Press, Oxford.

Burson Marsteller (2009) A Guide to Effective Lobbying in Europe 2009, http://issuu.com/burson-marsteller-eu/docs/effective-lobbying-europe-2009 ,

accessed on 20.5.2013.

Busby, A (2013) 'Normal Parliament': Exploring the Organisation of Everyday Political Life in an MEP's Office. *Journal of Contemporary European Research* 9(1), 94-115.

Clark, L (2013) MEP's strict amendments to EU data protection worry tech industry, http://www.wired.co.uk/news/archive/2013-01/09/eu-data-protection-debate?page=all, accessed on 8.10.2013.

Corbett R, Jacobs F. and Shackleton M. (2011, 8th edition) *The European Parliament.* John Harper, London.

Costa O, Dehousse R and Trakalova A (2011) Codecision and early agreements: an improvement or a subversion of the legislative procedure, Notre Europe, http://www.notre-europe.eu/media/codecisionearlyagreements_costadehoussetrakalova_notreeurope_nov2011.pdf?pdf=ok accessed on 23.5.2014

Council of the European Union (2013) Plenary Session of the European Parliament Joint Debate: Capital requirements Directive (CRD IV), Strasbourg, 16 April 2013, http://register.consilium.europa.eu/doc/srv?l=EN&t=PDF&gc=true&sc=false&f=ST%208747%202013%20INIT accessed on 25.3.2014.

De Meester, B. (2008) Multilevel Banking Regulation: An Assessment of the Role of the EC in the Light of the Coherence and Democratic Legitimacy. In: Follesdal A., Wessel R. and Wouters J. (eds.) *Multilevel Regulation and the EU*, pp. 101-143. Martinus Nijhoff, Leiden.

Dembosky, A and Fontanella-Khan, J (2013) *US tech groups criticised for EU lobbying*, Financial Times, 4.2.2013, p.8.

Dür, A and Mateo, G (2014) Public Opinion and Interest Group Influence: how citizen groups derailed the Anti-Counterfeiting Trade Agreement (ACTA), Journal of European Public Policy, DOI: 10.1080/13501763.2014.900893

European Commission (2013) CRD IV/CRR – Frequently Asked Questions, http://europa.eu/rapid/press-release_MEMO-13-272_en.htm accessed on 24.5.2013.

European Parliament (2009) Impact Assessment on the Revisions of the Capital Requirements Directive, IPA/A/ECON/ST, 2008-19, http://www.europarl.europa.eu/RegData/etudes/etudes/join/2009/416240/IPOL-ECON_ET(2009)416240_EN.pdf accessed on 25.03.2014

European Parliament (2010) Report on Basel II and the revision of the Capital Requirements Directive, Committee on Economic and Monetary Affairs, 21.9.2010, A7-0251/2010, http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2010-0251&language=EN accessed on 16.5.2013.

European Parliament (2013) Preparing for Complexity: the European Parliament in 2025. Final Report by the Secretary General, PE 508 814, http://www.europarl.europa.eu/the-secretary-general/en/activities/documents/docs-2013/docs-2013-april/documents-2013-april-2.html accessed on 20.5.2013.

European Parliament (2014) 20 Years of Codecision: Conference report, Luxembourg: Conciliations and Codecision Secretariat, http://www.europarl.europa.eu/code/events/20131105/report.pdf

Howarth, D. and Quaglia, L. (2013) Banking on Stability: the political economy of new capital requirements in the European Union. *Journal of European Integration* 35(3), 333-346.

Häge, M and Kaeding, M (2007) Reconsidering the European Parliament's Legislative Influence: Formal vs Informal Procedures. *Journal of European Integration* 29, 341-361.

Independent Commission on Banking (2011) Final Report: Recommendations, http://www.ecgi.org/documents/icb_final_report_12sep2011.pdf, accessed on 19.5. 2013.

Kardasheva, R (2012) Trilogues in the EU Legislature, Department of European and International Studies Research Paper, King's College London, http://raya.eu/wp-content/uploads/2012/08/Trilogues_in_the_EU_Legislature.pdf, accessed on 28.01.2014.

Kastner, L (2014) 'Much ado about nothing?' Transnational civil society, consumer protection, and financial regulatory reform, Review of International Political Economy, http://dx.doi.org/10.1080/09692290.2013.870084 accessed on 26.3.2014.

Ladrech, R. (1994) Europeanization of Domestic Politics and Institutions: The Case of France. *Journal of Common Market Studies* 32(1), 69-88.

Lall, R. (2012) From failure to failure: the politics of international banking regulation. *Review of International Political Economy* 19(4), 609-638.

Lamberts, P (2013) Régulation Bancaire: (petite) histoire d'un marathon legislatif, http://www.philippelamberts.eu/regulation-bancaire-petite-histoire-dun-marathon-legislatif/, accessed on 8.10.2013.

Marshall, D. (2012) Do Rapporteurs receive independent expert policy advice? *Journal of European Public Policy* 19(9), 377-395.

Mugge, D (2011) The European Presence in Global Financial Governance: a principal-agent perspective, *Journal of European Public Policy*, 18: 3, 383-402.

Panke, D. (2012) Lobbying Institutional Key Players: How States Seek to Influence the European Commission, the Council Presidency and the European Parliament. *Journal of Common Market Studies* 50(1), 129–150.

Pollack, M. (1997) Representing Diffuse Interests in EC Policy-Making. *Journal of European Public Policy* 4(4), 572-90.

Quaglia, L. (2010) *Governing Financial Services in the European Union*. Routledge, London.

Quaglia, L (2014) The sources of European Union influence in international financial regulatory fora.. *Journal of European Public Policy* 21(3), 327-345.

Radaelli, C. (2003) The Europeanization of Public Policy. In: Featherstone K., Radaelli, C. (eds.) The Politics of Europeanization*, pp.27-56.* Oxford University Press, Oxford.

Rasmussen, M. (2012) Is the European Parliament still a policy champion for environmental interests. *Interest Groups and Advocacy* 1(2), 239-259.

Rasmussen, M (2014) The Battle for Influence: the Politics of Business Lobbying in the European Parliament, Journal of Common Market Studies, 1-18, doi 10.1111/jcms.12156.

Rasmussen, A and Reh, C (2013) The consequences of concluding co-decision early: trilogues and intra institutional bargaining success. *Journal of European Public Policy* 20(7), 1006-1024.

Remy, W. (2012) ‘Pascal Canfin: “Des banques françaises parient sur le risque de faillite de la France... c'est délirant !”’, Télérama, http://www.telerama.fr/idees/pascal-canfin-des-banques-francaises-parient-sur-le-risque-de-faillite-de-la-france-c-est-delirant,77333.php, accessed on 20.5.2013.

Rittberger, B. (2013) The Politics of Democratic Legitimation in the European Union, Nuffield College Working Papers in Politics, 2000-W4, http://163.1.40.43/politics/papers/2004/Rittberger%20Politics%20of%20Democratic%20Legitimation.pdf, accessed on 18.6.2013.

Rottier, S. and Véron, S. (2010) An Assessment of the G20's Initial Action Items, Bruegel Policy Contribution 2010/08 (Brussels: Bruegel), http://aei.pitt.edu/14873/ accessed on 19.6.2013.

Slaughter, A-M (2004) Disaggregated Sovereignty: Towards the Public Accountability of Global Government Networks. *Government and Opposition* 39(2), 159-190.

Sullivan, R. (2013)'I didn't backpedal, I haven't altered my position', *Financial Times*, 22.4.2013, p.4.

Underhill, G. and Zhang, X. (2008) Setting the Rules: Private Power, Political Underpinnings, and Legitimacy in Global Monetary and Financial Governance. *International Affairs* 84(3), 535–54.

Vander Stichele, M (2008) 'Financial Regulation in the European Union: Mapping EU Decision Making Structure on Financial Regulation and Supervision' http://www.eurodad.org/uploadedfiles/whats_new/reports/eumapping_financial_regulation_final.pdf, accessed on 18.6.2013.

Véron, N. (2012) Financial Reform after the Crisis: an early assessment, Bruegel Working Papers, http://www.bruegel.org/publications/publication-detail/view/680/ accessed on 19.6.2013.

Walter, S (2010) Remarks to the Committee on Economic and Monetary Affairs of the European Parliament, 3 May 2010, http://www.europarl.europa.eu/committees/en/econ/events.html?action=3&id=hearin

gs#menuzone accessed on 25.3.2014.

Wessel, R. and Wouters, J. (2008) Multilevel Regulation and the EU: the interplay beteen Global, European and National Normative Processes. In: Follesdal A, Wessel R., Wouters, J. (eds.), *Multilevel* Regulation *and the EU,* pp.9-47. Martinus Nijhoff, Leiden.

Woll, C. (2012) Lobbying under Pressure: The Effect of Salience on European Union Hedge Fund Regulation. *Journal of Common Market Studie*s 51(3), 555–72.

Young, A. (2010) The Politics of Regulation and the Internal Market. In: Jørgensen K.E., Pollack M., Rosamond, B. (eds.) *Handbook of European Union Politics, pp.373-394.* Sage, London.

Young, K. (2012) Transnational Regulatory Capture? An empirical examination of the transnational lobbying of the Basel Committee on Banking Supervision. *Review of International Political Economy* 19(4), 663-688.

Young, K. (2014) Losing Abroad but Winning at Home: European Financial Industry Groups in Global Financial Governance since the Crisis. *Journal of European Public Policy* 21(3), 367-388.

[i] The Authors gratefully acknowledge financial support from the Danish Council for Independent Research (FSE) for the project 'The Parliamentarization of EU Politics: What Implications for European Democracy' within which framework the research for this paper was conducted. We thank contributors to the discussion of an early draft of this paper presented at the 20th International Conference of Europeanists (Council for European Studies) from 25-27 June in Amsterdam, and for comments from three anonymous reviewers.