

ANNUAL REPORT 2018

# 10 YEARS ON CITIZENS CALL TO CHANGE FINANCE



Finance Watch

Making finance serve society

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Finance Watch has received funding from the European Union to implement its work programme. There is no implied endorsement by the EU or the European Commission of Finance Watch's work, which remains the sole responsibility of Finance Watch.

# DEEPER REFORMS NEED MORE POPULAR SUPPORT

## Letter from the Chair and the Secretary General

Dear Friends,

2018 was a year of Europe-wide protests – from climate demonstrations to ‘gilets jaunes’ and the rise of toxic populism. People are demanding real change. It was also the tenth anniversary of the financial crisis. Experts agree that the response to the crisis deepened inequality while inflating the price of financial assets – creating the conditions for a future crash. In a nutshell, the financial system keeps avoiding structural reforms by pushing the consequences of the status quo to society.

**Our mission – society and finance.** The contribution of the financial sector to the most pressing social problems is the focus of our daily advocacy work. Topics such as sustainable finance, financial stability, and consumer protection are key to our research and advocacy work programme. We are also increasingly seeing the negative consequences of increased digitization in the financial sector through big data, application of algorithms and autonomous decisions by machines.

**Building a movement.** But deeper reforms need more popular support. That is why we joined forces with more than 60 civil society organisations in 2018 to convene a global campaign to #ChangeFinance. The coalition explored the deep links between finance and people’s lives and developed a common vision for a reformed financial system and a set of ambitious but achievable reforms. As the 10th anniversary of the financial crisis approached, the coalition staged 136 actions in 18 countries to bring attention to these demands, including creative protests, films and street theatre (some of them truly spectacular!) ending with the #ChangeFinance Forum in December, where 200 attendees gathered to plan 2019’s actions.

**Building our network.** The networking of national civil society organisations to organise joint campaigns and joint advocacy is also a key to our success. Our strategic goal is to build national Finance Watch networks across Europe to enable coordinated action between European and national levels, key for maximal impact. The foundation of the “Bürgerbewegung Finanzwende – Finance Watch Deutschland” in 2018 marked a first milestone in this strategy. Finance Watch networks in other EU countries will follow.

The financial sector, like much of the real economy, needs deep reform to tackle the environment, social and political risks that our societies are facing today. The call to change finance is increasingly being shared by stakeholders in other sectors; it has never seemed more urgent.

As ever, we thank you and all our stakeholders very much for your continued support and commitment to Finance Watch.



**With kind regards**  
**Rainer Lenz (Chair) and**  
**Benoît Lallemand (Secretary General)**



# OUR MISSION &

## Finance Watch

is a European NGO with a mission to defend the public interest in the making of financial regulations and provide a counter-lobby to the lobby of the financial industry.



# WHO WE ARE

Finance Watch is a members-based association. Our members include non-profit organisations and expert individuals from Europe and beyond, who participate in our EU-wide network of civil society actors committed to making finance serve society. Members receive advocacy advice and intelligence, participate in our events and workshops, and work on common campaigns.

Our staff of 12 plus four consultants, which includes former finance professionals, is based mainly in Brussels. It supports our mission and our members by providing advocacy advice, public campaigns and communication, and it produces advocacy and technical materials for policymakers to counter the arguments of financial industry lobbying.

Finance Watch has full members and associate members. Associate members can attend but not vote at General Assemblies. The General Assembly of members meets twice a year to debate and approve Finance Watch's action priorities, approve the budget and accounts, elect the Board of Directors, and approve the membership of the Committee of Transparency and Independence (CTI).

## THE CREATION OF FINANCE WATCH GERMANY

Since Finance Watch's creation in 2011, we have seen that we can only achieve financial reform and sustainable finance, when advocacy and communication towards policymakers and the wider public are conducted in a coordinated manner at the European and the national level.

This has led, in September 2018, to the creation of a new German non-profit organisation "Bürgerbewegung Finanzwende – Finance Watch Deutschland" as part of the international Finance Watch network of which Finance Watch in Brussels is the center.

**Find out more about Finanzwende on their website:**  
<https://www.finanzwende.de/>



# OUR TEAM

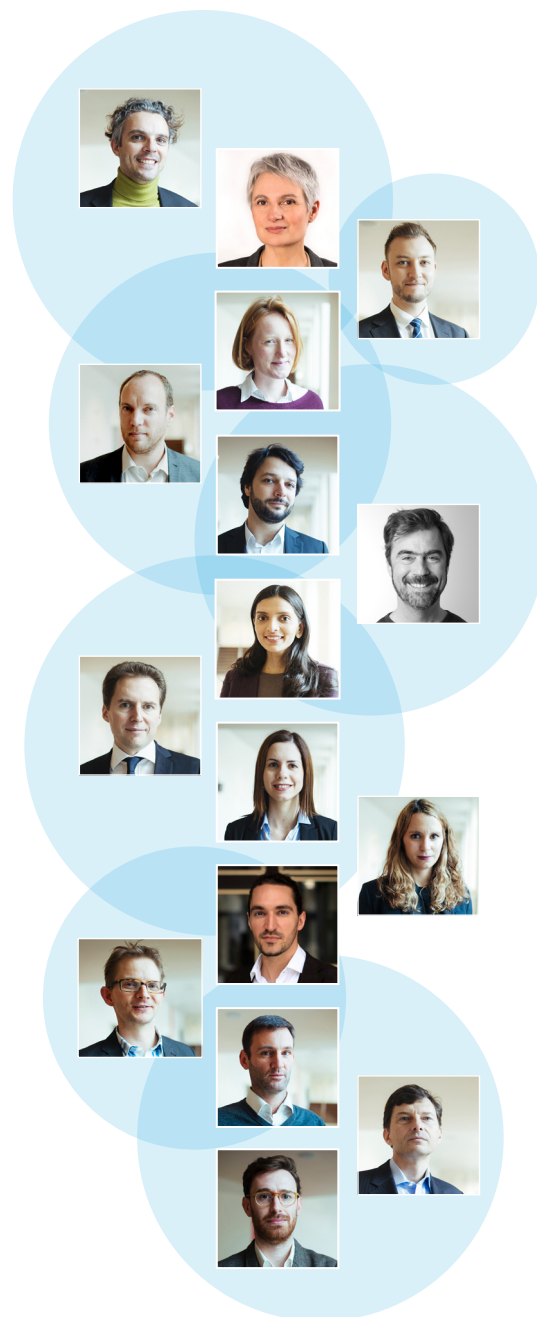
The Finance Watch staff are organised into three teams: research & advocacy, outreach (including communications, campaigns, membership and network) and operations, supported by a group of regular advisors:

## Staff

- > **Samuel Bossart**, Network Coordination & Development Officer
- > **Anne Fily**, Executive Director
- > **Paul Fox**, Research and Advocacy Officer  
(Financial supervision, Insurance & Pensions, Trade - Brexit)
- > **Charlotte Geiger**, Senior Communications Officer
- > **Christophe Gilson**, Finance & Operations Officer
- > **Pablo Grandjean**, Digital Communications Officer
- > **Olivier Jérusalmy**, Senior Research and Advocacy Officer  
(Financial Inclusion, Retail finance)
- > **Shonan Kothari**, Campaigns and Communications Officer
- > **Benoît Lallemand**, Secretary General
- > **Nina Lazic**, Research and Advocacy Officer (Sustainable Finance)
- > **Giulia Porino**, Network Coordination & Development Officer
- > **Ludovic Suttur-Sorel**, Campaign and Research Officer  
(Sustainable Finance)

## Advisors

- > **Greg Ford**, Senior Advisor
- > **Duncan Lindo**, Senior Policy Advisor
- > **Christian M. Stiefmüller**, Senior Research & Advocacy Advisor
- > **Juan M. Viver Gargallo**, Spanish Network Advisor



The **Board of Directors** includes six full members elected from the General Assembly and two external directors from outside the organisation:

- > **Rainer Lenz**, Chair
- > **Morten Clausen** (NFU), Vice-Chair
- > **Andrea Baranes** (Fondazione Finanza Etica), Treasurer
- > **Fran Boait** (Positive Money), Director
- > **Grégoire Niaudet** (Secours Catholique – Caritas France), Director
- > **Rainer Geiger**, Director
- > **Eric de Keuleneer**, External Director
- > **Alexandra Andhov**, External Director

We are also grateful for the contributions from Jonathan Detiège, Hélène Grosbois, Ayda Kaplan, Mireille Martini, Rebecca Wood.

The **Committee of Transparency and Independence (CTI)** has three to five members from outside the organisation and advises the Board on safeguarding the independence of Finance Watch's advocacy and avoiding conflicts of interest concerning membership and funding:

- > **Jérôme Cazes**, Chair
- > **Robin Jarvis**
- > (currently vacant)

*Note: all details about members, board directors, CTI and staff were correct as at 31 December 2018; all updates can be found on our website: [www.finance-watch.org/who-we-are/](http://www.finance-watch.org/who-we-are/)*

# OUR MEMBERS

In 2018, Finance Watch welcomed 15 associations and expert individuals from the former European Financial Inclusion Network (EFIN) as new associate Members. At the end of the year, Finance Watch had 85 Members from 16 European countries, including **50 organisations** and **35 expert individuals**, of which 69 are full members and 16 are associate members (\*).



## Austria

- ASB\*
- Austrian Federal Chamber of Labour

## Belgium

- Centre d'Appui\*
- Centrale Nationale des Employés
- Financité
- Rym Ayadi
- Yves Mathieu\*
- Robert Thys

## Bulgaria

- Iskra Christova-Balkanska\*

## Czech Republic

- Poradna\*

## EU

- COFACE\*
- Bureau Européen des Unions de Consommateurs (BEUC)
- European Trade Union Confederation (ETUC)
- Heinrich Böll Stiftung - EU
- Housing Europe
- Oxfam International
- Transparency International – EU Office (TI-EU)
- UNI Europa

## France

- Attac France
- Centre des Jeunes Dirigeants
- Confédération Générale du Travail (CGT)
- Fédération CFDT des Banques et Assurances
- Fédération des métiers de la Finance et de la Banque/CFE-CGC (FFB CFE-CGC)
- Fédération Européenne des Cadres des Établissements de Crédit (FECEC)
- Fondation Crésus\*

- Institut Veblen pour les réformes économiques
- Les Economistes Atterrés\*
- Secours Catholique - Caritas France
- UNSA Banques et Assurances
- Christian Chavagneux
- Grégori Colin
- Rainer Geiger
- Dominique Perrut
- Laurence Scialom

## Germany

- Deutscher Gewerkschaftsbund (DGB)
- MONNETA
- SÜDWIND e.V. - Institut für Ökonomie und Ökumene
- VERDI (Vereinte Dienstleistungsgewerkschaft)
- VZBV (Verbraucherzentrale Bundesverband)
- Weltwirtschaft Ökologie & Entwicklung (WEED)
- Stefan Calvi
- Markus Duscha
- Ingrid Groessel
- Christian Kellermann
- Rainer Lenz
- Udo Philipp
- Suleika Reiners
- Hans-Joachim Schwabe
- Harald Schumann

## Greece

- EKPIZO\*
- Manolis Tzouvelekas

## Ireland

- UCC\*

## Italy

- FABI
- FIRST Cisl
- FISAC CIGL
- FONDAZIONE FINANZA ETICA

- MDC - Movimento Difesa del Cittadino

## Norway

- Norwegian Confederation of Trade Unions

## Poland

- MFC\*
- Krzysztof Grabowski
- Maria Aluchna
- Marta Götz

## Spain

- ACAF\*
- Fundación Fiare

## Sweden

- Nordic Financial Unions (NFU)

## Switzerland

- Observatoire de la Finance
- Bärbel Bohr
- Marc Chesney
- Michel Santi

## The Netherlands

- Consumentenbond
- NIBUD\*
- Stichting Onderzoek Multinationale Ondernemingen (SOMO)

## United Kingdom

- New Economics Foundation (nef)
- Positive Money
- ShareAction
- Richard Ahlström\*
- Jay Cullen
- Nikolaos Daskalakis
- Nicholas Dorn
- Deepa Govindarajan Driver
- Stephany Griffith-Jones
- Paul A. Jones\*
- Steve Keen
- Thomas Lines
- Donald MacKenzie

Interested in becoming a member? Please visit our website for more information: [www.finance-watch.org/members/](http://www.finance-watch.org/members/)



# WHAT OUR STAKEHOLDERS SAY ABOUT US



“ This year has been rich in financial reforms, from the ESAs review to sustainable finance. As usual, Finance Watch has been an effective and ambitious counter-power to the financial industry lobbies and helped citizens’ voices to be heard for a fair and efficient financial regulation. They have always an answer present when I needed their expertise! Thank you for that also. As I leave the Parliament, I am proud to have contributed to its foundation.”

**Pervenche Berès**  
Member of the European Parliament (S&D) from 1994 until 2019

“ In financial services, like in any other sector, consumers’ voice is utterly important. I appreciate the determination shown by Finance Watch to build an effective consumer voice and to make it better heard at all levels of policy-making in the financial services sector.”

**Olivier Guersent**  
Director-General for Financial Stability, Financial Services and Capital Markets Union, European Commission



“ COFACE-Families Europe’s work is focused on financial inclusion and making sure that all families have access to fair, safe, transparent and affordable financial services. In this regard, teaming up with Finance Watch is extremely useful, as it provides us with a platform to exchange with other like-minded organisations, and increase the impact of any recommendations related to financial inclusion. Finance Watch is a respected and well recognized organisation upholding the interests of citizens, and adding our voice to theirs increases the likelihood of being heard and making a difference.”

**Martin Schmalzried**  
Policy and Advocacy Manager, COFACE – FAMILIES EUROPE

“ The group of those working against tightening the rules for the financial sector is strong: 1700 financial industry lobbyists are deployed in Brussels alone. A relatively small group of 13 young men and women from the organisation Finance Watch are bravely opposing them.”

**Ingo Zamperoni**  
German news show “ARD Tagesthemen”, 13 September 2018



# TEN YEARS SINCE THE FINANCIAL CRISIS AND...?

## Review of the reforms so far

A record amount of new financial regulation was passed in the years after the financial crisis, most of it fiercely contested by the financial industry. The ten-year anniversary of the crisis in September 2018 was a good moment to see how much – or how little – has changed in the financial system as a result.

Our report, [“Ten Years After: Back to Business as Usual. The Pit and the Pendulum – post-crisis financial regulation in Europe”](#), found that the EU’s new bank and other financial stability regulations did not go nearly far enough to realign the finance sector with society’s interests, despite the best efforts of civil society advocates including Finance Watch.

Our report concludes that, despite some improvements, **none of the structural vulnerabilities that led to the financial crisis of 2008 have been tackled in a decisive way** and there has been no fundamental restructuring of the global financial sector:

- Banks remain too-big-to-fail, their capital is only marginally stronger, and systems for dealing with failing banks are flawed and untested at scale;
- artificially low interest rates, misaligned incentives, risky lending and ‘moral hazard’ have conjured up a worrying combination of soaring debt, high levels of non-performing loans and the spectre of large-scale defaults if interest rates rise;
- activities have been allowed to migrate towards the poorly regulated ‘shadow banking’ sector, which has grown in leaps and bounds and has so far successfully escaped tighter regulation.



The report was published as part of our 10 years After Campaign and was accompanied by cartoons, blogs on our website and the OECD’s Forum Network, and a six-part series of short animations, [“The Crisis Anniversary Party”](#), with titles such as Banks on Fire, Make finance great again, and A toast to populism!

These efforts generated social media interest and press coverage around Europe, especially in France and Germany, with articles in L’Agefi, ARD Tagesthemen, Deutschlandfunk Kultur, Phoenix, Challenges, Deutsche Welle, El Salto, Frankfurter Rundschau, El Economista, Euroactiv, Agence Europe, Politico, Franceinfo, La Croix, and Le Monde.

## Finance is still a threat

The report’s conclusions support the view that over the last 30 years, **finance has lost its connection to the economy and the needs of society**. Many policymakers agree with this but under the weight of industry lobbying have been unable to deliver a fundamental realignment of the global financial system to serve the needs of citizens more effectively and safely. This is a grave political risk, given that EU countries would struggle to absorb another systemic crisis.



## FINANCE WATCH'S NEW WEBSITE

Finance Watch launched its new website a few days before the 10th anniversary of the Lehman failure.

This online presence is not only visually more attractive and responsive, but makes it also easier for different audiences to find interesting content thanks to a new architecture as well as a different narrative and vocabulary choice for each of the two different main audience groups:

**“Policy & Regulation”** (policy makers, experts) and **“Finance & Society”** (citizens, non-experts).

Check it out at:  
[www.finance-watch.org](http://www.finance-watch.org)





## CHANGE FINANCE!



# CHANGE FINANCE

The lack of fundamental change in the financial sector calls for a strong response from civil society. Finance Watch has therefore convened the **Change Finance coalition**, a large and diverse group of European NGOs working on topics such as debt relief, climate change, tax justice, inequality and poverty.

The coalition's underlying sentiment is that the financial sector should serve people and planet, not the other way around. Its first campaign, #10yearsOn, was timed to mark the ten-year anniversary of the financial crisis in September. The process of framing the campaign demands and the action plan was wholly democratic. **More than 60 organisations and individuals** shared their ideas and proposals. We collected and clustered these ideas, then created working groups to discuss and debate each point. The process was labour-intensive but helped us to frame a [shared agenda](#) that makes a wide range of actors feel included and allowed organisations with different objectives to work together to reimagine the financial system.

The Finance Watch team launched the [changefinance.org](#) website, with the campaign demands available in six languages. We produced a series of articles to highlight the impacts of the financial sector on wider societal issues, such as water, housing, gender, inequalities, social rights, health and education, biodiversity, populism etc. We also produced a set of campaign assets including posters, memes, key messages, quotes, template media briefings, artwork files etc. to support the planning of campaign actions.



With the groundwork for the campaign prepared, our 60+ coalition members went on to deliver **136 actions and events in 18 countries** over the campaign period, including rallies, creative street actions, community events, conferences, events at national parliaments etc. By the end of the campaign, the campaign hashtags were included in 10,603 total tweets from 5755 unique contributors, with a potential impression of 10 million users, and the coalition's actions attracted just under 200 items in media coverage.

## CHANGE FINANCE FORUM

The second annual Change Finance Forum took place on 6-7 December 2018, hosted by Finance Watch in Brussels, building on the success of the previous year's forum. The meeting brought together 200 civil society organisations, activists, academics, finance pioneers and engaged citizens, and included sessions on the financial system we want, as well as campaign workshops and networking. The programme was co-designed by coalition members and included time to review the actions from the #10YearsOn campaign and start planning for the coalition's actions in 2019.



# STABILIZING FINANCE

## Bank stress tests

The European Banking Authority published the results of its 2018 stress test in November 2018, covering 48 European banks and 70% of EU banking assets.

[Finance Watch commented](#) that the test seemed tougher than the one in 2016 but ignored **two of the biggest “elephants in the room”**: **sovereign debt exposures**, which have been flagged as a potential major source of systemic risk, and the EUR 730 bn of **non-performing loans** that EU banks still carry.

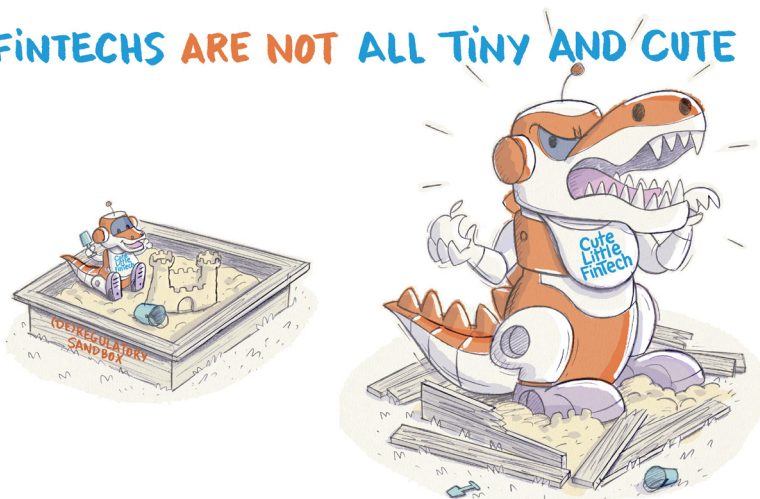
In the EBA’s adverse scenario, none of the banks failed the risk-based capital test but four fell below the minimum leverage ratio of 3%. Oddly, this failure was barely mentioned in the report, despite leverage being by far the better predictor of bank failure.

The ECB also stress tested around 60 smaller banks in the Euro area but did not disclose the results. This was unfortunate as most of the recent banking problems in the EU came precisely from this category of banks, such as Veneto Banca, Banca Popolare di Vicenza, ABLV and Banca Carige.

## BAD LOANS: EUROPE’S MEASURES DISPLACE THE PROBLEM WITHOUT SOLVING IT



## FINTECHS ARE NOT ALL TINY AND CUTE



Finance Watch staff were able to present these concerns at sub-group meetings of supervisors ESMA and EBA, an EU roundtable on cryptocurrencies, and at the ECN convention on crowdfunding in October.

## FinTech

The process of digitalisation of financial services is far too important to be left to market forces, given its potential to impact stability and consumers. The European Commission published an Action Plan in March 2018 with proposals to protect consumers but also to turn the EU into a global FinTech hub.

The plan would regulate crowdfunding, develop a strategy on blockchain, and enable “regulatory sandboxes” where new FinTechs can experiment in a low-regulation environment, among other things.

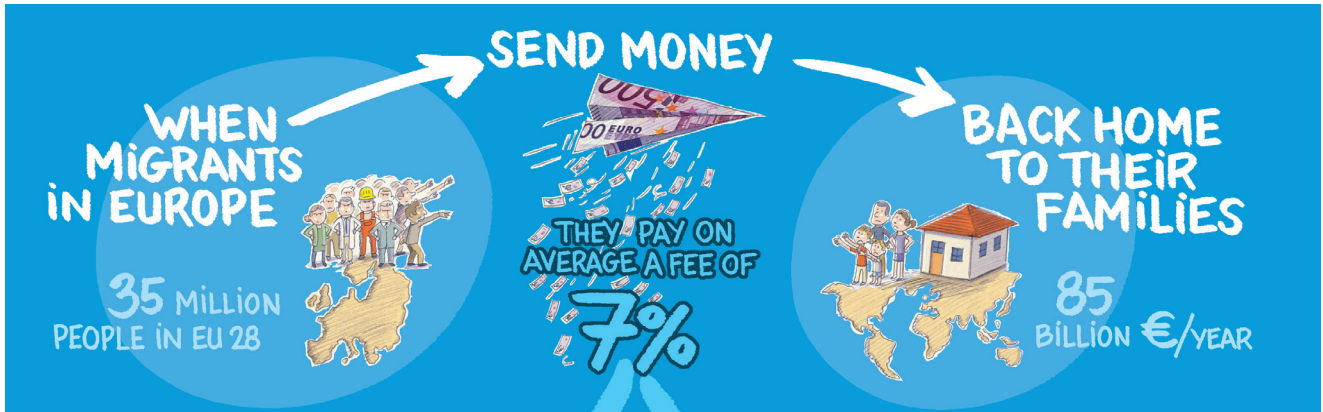
Finance Watch’s response was cautious. Our July 2018 briefing paper, [“Dinosaurs in the sandbox - Briefing note on the FinTech Action Plan”](#), warned that **FinTechs can quickly grow into firms that can threaten consumer protection and even financial stability**. We cautioned that initiatives such as regulatory sandboxes and the EU FinTech Lab, which bring companies and regulators together, blur boundaries and could lead to regulatory capture; and we called for strong rules on data privacy.



# FINANCIAL INCLUSION

## 15 New members from the European Financial Inclusion Network (EFIN)

Finance Watch welcomed 15 financial inclusion specialists as new Associate Members, through a merger with the former European Financial Inclusion Network (EFIN). The new members will increase our expertise and involvement in financial inclusion issues such as over-indebtedness and increase awareness and visibility at the EU level. Among on-going files, Finance Watch worked on the proposed directive on second chance and bankruptcy for entrepreneurs, and spoke at the EBA Workshop on the Consumer Trends Report and at the CEPS conference “Household over-indebtedness: Drivers and remedies”.



## Migrant remittances

For many of the 35 million migrant workers in the EU, **the high cost of sending money home is an unwelcome extra ‘tax’ imposed on them by the finance sector.** Banks have been reluctant to develop special services for migrants, put off by the small margins and complicated identification processes. This has left market to a few specialist firms who charge on average 7% to transfer money outside the EU.

The EU announced plans in March 2018 to review legislation on cross-border payments inside the EU. Finance Watch issued a [briefing paper](#) and [infographic](#) calling for this to be extended to payments outside the EU, to remove competition barriers that prevent other services providers from entering the market, and to put a 3% cap on transfer fees, which would save consumers an estimated EUR 3.6bn in excess fees.

## Non-performing loans

After the post-crisis recessions, some banks were left with a stock of bad loans that they could not collect and did not want to write off. The EU rode to the rescue with a plan to help banks sell their non-performing loans (NPLs) to specialist debt collectors, raising a host of **concerns about unscrupulous debt collectors and financial stability.**

Finance Watch published a position paper and accompanying cartoons in June 2018, called [“Would you mind holding this for me?” The \(increasingly desperate\) search for an answer to Europe’s NPL problem](#). We argue that banks should look first to their lending standards and improve their disclosure of NPLs to the market, and not let the secondary NPL market encourage more bad lending.

We called for strong rules to protect consumers from unfair debt collection practices, and measures to ensure that all vulnerable borrowers, especially families and small

businesses, have access to fair “second chance” procedures and bankruptcy rules. We were able to put these points to MEPs in meetings and at a forum in the European Parliament in November.

**VULNERABLE BORROWERS PROTECTION IS MISSING FROM THE NPL PACKAGE.**



# PENSIONS AND INSURANCE

## Pensions

Older EU citizens may find it increasingly hard to retire on a comfortable income: state pensions are shrinking under pressure from ageing populations and low economic growth, and occupational pensions are being disrupted by a more fragmented job market.

The EU's response so far is to promote private pensions via its **Pan-European Personal Pension Product (PEPP)** initiative. [Finance Watch commented](#) on the latest draft of the PEPP in April 2018, following our earlier position paper in 2017.


We recommended that the PEPP should only be available from regulated providers, should only be sold with appropriate advice or information, should include a default investment option to suit all savers, should comply with sustainability and ESG rules, and be carefully supervised at a European level.

But our core message remains that the private market approach of the PEPP will not be enough on its own. Demographic trends and job automation are putting such a strain on state and workplace pensions, which are funded through earnings, that people are already at risk of ending up in poverty at retirement. **Policymakers must continue to look for ways to improve state and occupational pensions** and explore innovative ways to make the European welfare model fit for the future.

## Insurance

Many private pension products are provided by large insurance companies that are closely interconnected with banks and other insurance companies, which raises financial stability concerns.

In a consultation response to EIOPA, the European insurance supervisor, in October we argued that **to avoid taxpayer bail-outs, insurers need a strong 'recovery and resolution' regime**. The EU should learn lessons from the recovery and resolution regime that it created for banks by ensuring that the insurance version has a broad scope, pan-European approach to supervision, mechanisms for early intervention and proper tools for authorities to stop a failure from becoming a crisis.



**Finance Watch**  
Making finance serve society

April 2018

### A first step on a long journey towards tackling the pensions gap: still more work is needed

**Finance Watch comments on the Pan-European Personal Pension proposal (PEPP)**

The pan-European Personal Pension Product (PEPP) is an important initiative from the European Commission, to improve the current private pension market. It is, however, unlikely to help most European citizens properly supplement their retirement income. **Even if the PEPP contributes to the uptake of private pension products, this will not be sufficient to meet the huge challenges facing pension provision in the EU.**

Ageing European populations, slow economic growth, and increasing inequality of income and wealth have put state pension systems under serious pressure. Occupational pension systems are also under threat with less jobs available and shorter and more fragmented employment periods becoming the norm.

**Policymakers must continue to look for other measures to maintain adequate levels of state and occupational pensions and look to build a future-proof European model of the Welfare State.** This must involve looking beyond the current ailing social security systems to exploring other possible alternative models.

The PEPP proposal does bring a number of important issues to the fore and with them an **opportunity to increase European citizen's trust in both the European Union and financial institutions.** This can be achieved by applying strong prudential and consumer protection requirements to ensure product safety. A focus should be put on longevity risk-sharing, income-generation and sustainable investment.

The question of tax relief offered to PEPP savers cuts to the core of the **solidarity aspects of pension products.** If the PEPP is to be a success then it must have the features of a pension product, to justify it receiving at least the same tax relief as equivalent pension products in the different EU Member States. Ideally a mechanism for calculating and collecting balancing payments among Member States should be developed as part of a tax regime for the PEPP.

Several amendments are still needed to key areas of the proposal for it to achieve the goals set out by the European Commission of **creating a genuine private pension product that is suitable for any European citizen aiming to save and supplement their retirement income.** Discussions should be directed to ensuring that this aim can be achieved and not to adapting the product to the perceived needs of different potential providers, under the threat that no one will offer it.

## FINANCE WATCH'S PARTICIPATION IN EXPERT GROUPS IN 2018

- **European Commission's** Financial Services User Group and Technical Expert Group on Sustainable Finance (TEG)
- **European Banking Authority's** (EBA) Stakeholder group
- **European Securities and Markets Authority's** (ESMA) Stakeholder Group
- **European Insurance and Occupational Pensions Authority's** (EIOPA) Insurance and Reinsurance Stakeholder Group as well as Costs and Performance Expert Group

# BREXIT AND TRADE AGREEMENTS

## Trade agreements

Free trade agreements have historically served as a conduit for liberalisation and deregulation. The EU's new generation of trade agreements go further down this sometimes dangerous path.

In October 2018, Finance Watch joined with the Veblen Institute to publish a report on the impact of European trade policy on financial regulation, together with a webinar and launch event in Brussels.

The report, "[Financial Regulation challenged by European Trade Policy](#)", identifies dangers lurking in the EU's bilateral trade deals with Canada and Japan and the EU's work on TTIP and the plurilateral Trade in Services Agreement (TiSA).

**These new trade agreements make it harder for lawmakers to pass financial regulations**, such as rules that would limit the size of banks or curb harmful activities, and harder to intervene in a crisis. They also create mechanisms for companies to sue nation states and can be easy for lobbyists to amend.

We need more transparency and democratic control over trade agreements, more protection for public services and social security systems, more freedom for states to restrict capital movements or reverse trade agreements and, most importantly, for financial services to be excluded from future trade agreements.

## Brexit

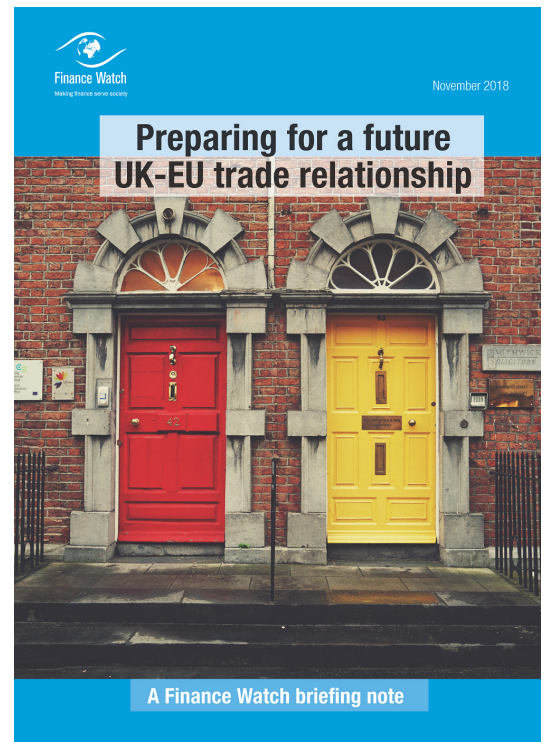
The UK's planned departure from the EU brings this into focus. The risk is that Brexit could encourage a race to the bottom in financial regulation as countries compete to win business from London, leaving citizens more exposed to financial crises and bad business practices.

Finance Watch staff brought up these concerns with the EU's Brexit Task Force, the European Parliament, and at a roundtable with the Cabinet of EU Chief Brexit negotiator Michel Barnier. In May, Finance Watch Chair Rainer Lenz gave a speech on the potential impact of Brexit on Lower Saxony, and in November, we published a policy brief, "[Brexit: Preparing for a future UK-EU trade relationship](#)" along with a short video and a blog.

**Finance Watch recommended that the EU develop a framework for regulatory cooperation with the UK**, so that commonly agreed rules can be enforced, applied at the current level or higher, and improved over time rather than being weakened.



In October 2018, Finance Watch joined with the Veblen Institute to publish a report on the impact of European trade policy on financial regulation, together with a [webinar](#) and launch event in Brussels.





# SUSTAINABLE FINANCE

## The Commission's action plan

The European Commission published its action plan on sustainable finance in March 2018, adopting a number of ideas that the High-Level Expert Group (HLEG) on Sustainable Finance had proposed two months earlier.

Finance Watch has been actively involved in these initiatives, arguing from the start that a **rapid capital shift will need economic regulation to price negative externalities and ambitious financial regulation.**

We analysed the EC Sustainable Finance package and contributed to the public consultation on the Commission proposal to include ESG preferences in the suitability assessments under MIFID and IDD. Our staff spoke at several external events including an EESC hearing and the European Retail Financial Forum.

We commented on the [HLEG report](#) and the [Commission's action plan](#) and responded to consultations on institutional investors and asset managers' duties regarding sustainability, investment advice regarding ESG preferences, the EU framework for public reporting by companies, disclosure relating to sustainable investments & sustainability risks, a proposed framework for sustainable investment, and on carbon benchmarks.

The team organised civil society workshops on sustainable agriculture and sustainable investing in the Mediterranean, hosted a webinar on finance and sustainability, and published blogs critiquing the idea of a green supporting factor.

## Technical Expert Group

The Technical Expert Group on Sustainable Finance was appointed in mid-2018 to develop the European Commission's action plan on sustainable finance, working on a unified classification system for sustainable economic activities, an EU green bond standard, methodologies for low-carbon indices, and metrics for climate-related disclosure.

**Finance Watch's Nina Lazic is one of the TEG's 35 expert members** and leads the TEG's taxonomy work on chemicals manufacturing.



In September 2018, as part of our 10 years After Campaign, Finance Watch published a series of short animations, "The Crisis Anniversary Party", including one on Sustainable Finance "Make finance great again"

## GLOBAL GREEN FINANCE INDEX

The Global Green Finance Index is a six-monthly ranking of financial centres based on the quality and depth of their green finance offerings, based on a perception survey and other datasets. Finance Watch co-produces it with Z/Yen, with funding from the MAVA Foundation.

The first edition of the GGFI was launched in March 2018 and the second in September 2018. Each edition has a special focus, so far covering climate change and fossil fuel disinvestment. The reports also contain data on green and brown finance activity.



In April 2018, Finance Watch expert Nina Lazic presented a webinar on the role that finance can play to help fight climate change, entitled "Will finance save the planet?"



# FINANCIAL STATEMENTS

Finance Watch remains more than ever a key resource for public interest advocacy on financial matters. Our organisation representing European citizens must do more with less to counterbalance the powerful financial sector lobbies in Europe and the rest of the world.

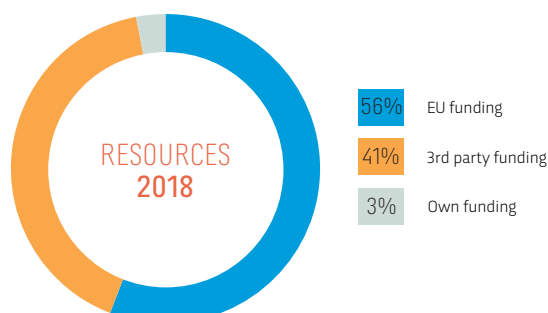
Finance Watch is supported financially by its members, philanthropic foundations, public donations, and the EU – which together provide the income needed to develop our activities in research, advocacy, communication and network development.

Resources 2018	in euros
<b>Own funding</b>	<b>52,363</b>
Membership fees	48,700
Conference fees	663
Subrent	3,000
<b>3rd party funding</b>	<b>827,095</b>
Fondation Charles Léopold Mayer	60,000
MAVA (Economics for Nature)	456,256
MAVA (Index)	232,186
OSF Initiative for Europe	41,348
European Climate Foundation	15,333
Donations by private individuals	21,972
<b>EU funding</b>	<b>1,151,449</b>
European Union	1,100,000
Dolphins (H2020) Consortium	42,841
Enlighten (H2020) Consortium	8,608
<b>Total Resources</b>	<b>2,030,907</b>

Finance Watch's resources for 2018 totaled €2,030,907 against a budgeted income of €2,014,852, and increased by €238,837 (+13%) from 2017 (€1,792,069).

Our main funders were MAVA Fondation pour la Nature (€688,442) with two majors funded programs on Economics for Nature and Green Finance Center Index. Our historical funder Fondation Charles Léopold Mayer participated with €60,000. A three-year funding programme from the Open Society Foundations ended in 2018 with a balance of €41,348. Our first grant with the European Climate Foundation started late in the year resulting in a contribution of €15,333. The European Union remains our main funder with subsidies of €1,100,000 in 2018 (€901,992 in 2017). We also closed our EU funded Horizon 2020 programs Dolphins and Enlighten (totaling €51,449). Finally the support of other individual donors is important as always with a generous €21,972.

A key focus for the organization going forward is to further diversify its funding sources.

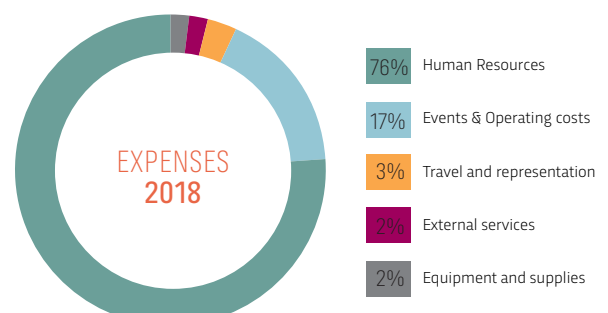


Expenses 2018	in euros
<b>Human Resources (incl. salaries, pension and insurance)</b>	<b>1,527,873</b>
Staff	1,299,703
Consultants	228,170
<b>Representation (incl. travel costs)</b>	<b>65,512</b>
<b>Equipment and supplies</b>	<b>36,794</b>
<b>External Services</b>	<b>34,016</b>
<b>Events &amp; Operating costs</b>	<b>347,902</b>
Rent and office expenses	206,826
Subscriptions, information services, etc.	21,531
Meetings and Events	60,883
Financial expenses	10,719
Miscellaneous goods and services	47,943
<b>Total Expenses</b>	<b>2,012,097</b>

Finance Watch's outgoings for 2018 are totaled €2,012,097 against a budgeted amount of €2,040,110, and increased by €495,474 (+32%) from 2017 (€1,544,636).

Our main expense was Human Resources, which accounted for 75% of the total or €1,527,873, made up of €1,299,703 in staff costs (+38% or €358,699 on 2017) and €228,170 in long-term consultants' costs (+22% or €41,234 on 2017).

The result for the year is an accounting surplus of €18,810 which is slightly lower than expected but nevertheless shows a balanced accounting result.



# Finance Watch

Making finance serve society

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We advocate public interest outcomes in European financial policy and regulation.

We build the capacity of civil society, representing the views of citizens and financial services end-users.

Our vision is an inclusive, fair and sustainable financial system designed around society's needs.



## Finance Watch

Making finance serve society

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