First-Order Capture: An investigation of the decision-making process within transnational actors.

Abstract

This article investigates the institutional makeup of the Institute of International Finance (IIF), a worldwide advocacy group representing the private financial sector. The goal is to find out whether or not the IIF is subject to first-order capture: a process in which a small group of members within the organization have become the dominant powers within the larger organization. First-Order capture is closely related to regulatory capture, which has long been a subject of interest amongst scholars in the field of international political economy. Through a study of the bylaws of the IIF, the article finds that there is indeed a group within the IIF's membership ranks, which holds an institutional advantage, which allows them to take over the direction of the IIF.

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Introduction

In this article, I will investigate the concept of first-order capture in the financial sector, specifically targeting the Institute of International Finance (hereafter: IIF). The IIF is a transnational actor representing the interests of, as the IIF's article of incorporation puts it, "any lending institution which has, or proposes to have within the immediate future, international exposure as a result of holding international loans in its portfolio for its own risk" (Nash 1983: 575). In other words, membership to the IIF is open to any financial institution that plays a role in international finance. It is within this world of international finance, and the academic literature studying it, where the central concept of regulatory capture is encountered. Though the finer details of regulatory capture will be discussed at length later on, regulatory capture can be quickly summarized as an effective takeover of regulatory organizations by the private sector. This article argues that in addition to some degree of regulatory capture, the advocacy networks within the financial sector are subject to first-order capture. First-order capture, in short, is the takeover of a private representative body by a small number of its members. This means that the decision-making process within the organization is dominated by a collective within the organization, rather than by the organization as a whole. With regards to the IIF, this would mean that a small group of banks controls the direction of the IIF. Taking that idea to its logical conclusion, if both first-order and regulatory capture are in effect it would mean that a small number of banks have the ability to greatly influence international financial regulation.

The credit crunch of 2007-8 set in motion a financial crisis that still rages on today. In many ways, the crisis has galvanized political figures to become more actively involved in financial regulation, even going so far as calling for a dramatic reconsideration of all current financial regulation (Helleiner 2010). Exploring regulatory capture, and by extension first-order capture, can identify possible issues with revamping regulation. It can also serve as a warning against allowing regulatory responsibilities to become too far removed from democratic oversight; since much of the influence the private sector had in the past was due to the technocratic character of the regulatory organizations (Helleiner & Pigliari 2011). The implications of regulatory and first-order capture working back to back to influence the process of regulation could have far-reaching implications: in extremis, it could result in a situation where the rules of international finance may ultimately serve the interests of a small group of extremely wealthy financial institutions.

Using the IIF's own bylaws, their 2012 annual report, and the quarter-centennial review published in 2007, I will argue the IIF is indeed subject to first-order capture. I will do this by first examining the voting system as put in place by the bylaws of the IIF, followed by a look at the end result of this voting system by investigating the origins of the IIF's current Board of Directors. After that, the implications of the results will be discussed. Finally, a brief discussion of the placement of the concept of first-order capture within the theory of international norm dynamics will conclude my argument. The goal of my investigation is two-headed: first and foremost, to answer the central research question regarding the possibility of first-order capture of the IIF. Second, to provide a general idea of what first-order capture entails by providing a clear example of it. This will allow the concept to be used to analyse other advocacy networks, transnational actors, or lobby groups.

Theoretical framework

Regulatory capture, its extent and its impact on the regulatory and practical architecture of the contemporary financial world is crucial to my argument. Though literature about the subject in the context of political science was sparse pre-2007, regulatory capture has attracted growing attention from the political science community since the global financial crisis of 2007-8 came to pass (Helleiner & Pigliari 2011). However, the mechanics of regulatory capture are hardly ever discussed in the literature, authors instead tend to focus on what they perceive to be the results of the capture and what those results mean for the regulatory process. According to Young, the reason scholars have thus far failed to accurately map the way regulatory processes are influenced, is directly related to the "overstated and misleading" notion of wholesale purchase of the regulator by the financial sector (2012: 664). Similarly, there is hardly any literature available that provides an active way to prevent regulatory capture for occurring.

The main subject of this article, however, is the concept of first-order capture, which is, essentially, the precursor of regulatory capture. Before going into more detail about the two types of capture, I will first discuss the way normative change comes about. This is necessary, because understanding how the process of capture impacts the process of normative change makes it possible for the findings of this article to be applied outside the realm of financial regulation.

In their 1998 article *International Norm Dynamics and Political Change*, Martha Finnemore and Kathryn Sikkink present their life cycle model of normative change. The way a new norm emerges follows a three-stage structure, which goes from emergence through a so-called 'cascade' stage, and finally internalization (Finnemore & Sikkink 1998: 895-6). In the first stage, a norm entrepreneur sets in motion the emergence of a new norm, once in motion, this new norm gains momentum until a tipping point is reached, after which the cascade stage begins. In the cascade stage, the new norm gains momentum and quickly gains acceptance by an increasing amount of relevant actors. Finnemore and Sikkink argue that because of the logic of appropriateness, the norm is able to spread very quickly (1998: 895, 902-3). The process of socialization described in the article details how conforming to the cascading norm basically trumps individual interests. In other words, the logic of consequence, in which an actor makes an individual decision based on his own interests, is overruled by the logic of appropriateness, which drives actors to conform to the larger structure around them.

With regards to the financial sector, the norm life cycle model applies in a peculiar way: the final product of the regulatory process, the rules for international finance, does not come about in a top-down way. In his article *Neoliberalism and the new international financial architecture* (2012), Aaron Major describes the process of regulation as a collaborative effort between the regulators and the private sector. Thus, rather than regulations being imposed on the sector, the regulations tend to be a codification of what both sides of the process find reasonable. In terms of the norm life cycle model, by the time the rules are put in place, the norms those rules set forth have already been accepted by the actors subject to them. The way regulatory capture interferes with the model as proposed by Finnemore and Sikkink is quite interesting: rather than being regulated and having to conform according to the logic of appropriateness, the private sector is able to influence the regulators in first stage, when the norm itself is still subject to change. I will go into more detail about the effects of regulatory capture on the norm life cycle model later in this article.

The concept of first-order capture explores a precursor to regulatory capture, focusing on the decision-making process within the actor responsible for advocating a norm. One way this decision-making process might be impacted is by what Ranjit Lall terms the first-mover advantage (2012: 616). In the analytical framework he presents in his article *From Failure to Failure*, Lall includes a temporal dimension previously ignored by scholars. This added dimension allows him to establish timing as a vital factor in impacting the decision-making process: the party with the best access to the regulator was able to frame the coming regulations in a way that served that party's goals best (Lall 2012: 632-3). Lall applies his framework to regulatory capture, specifically addressing the relation between the banking sector and the Basel Committee on Banking Supervision (BCBS), who are in charge of regulating international finance. However, I expect his framework to be equally applicable to the relation between the IIF and its member organizations. For instance, the bylaws of the IIF themselves are an example of a first-mover advantage in action. The bylaws were first put in place by the founding members of the IIF, a group consisting of 38 internationally operating banks from ten economically very advanced countries (IIF 2007: 177-8). According to the first-mover advantage, this would mean these 38 banks have had a distinct institutional advantage over all members who've joined since then.

Lall's article also highlights an important aspect of international financial regulation, which he considers a prime example of regulatory capture in progress, the so-called Advanced Internal Ratings-based approach (or A-IRB). In addition to being a good example of regulatory capture, the A-IRB approach will be used in this article as an example of first-order capture as well. The A-IRB approach would allow for certain larger banks to use their own models or risk-assessment rather than the standardized model provided by the BCBS. The main reason the larger banks would be in favour of the this approach is because their own rating systems would be more forgiving when it comes to assessing the risks of an investment, thus allowing A-IRB capable banks to take bigger risks than banks who use the standardized system offered by the BCBS (Lall 2012: 613). Thus the implementation of the A-IRB approach into international financial regulation exemplifies successful regulatory as well as first-order capture, since "the introduction of internal ratings would also give the largest banks a substantial competitive advantage over smaller rivals" (Lall 2012: 613). In other words, the lobbying industry groups, who were captured by the A-IRB banks within their ranks, captured the regulators.

Finally, there is the relationship between the advocacy group and the regulatory agency. In the case of the IIF and the BCBS, the relationship is frequently described as one in which the expertise and resources of the private sector allows them a great deal of access to the regulators (Young 2012, Lall 2012). This type of relationship between an advocacy group and a regulator, in which the advocacy group is able to trade information for more intimate access to the regulators, is not exclusive to the financial sector: Adam W. Chalmers details a similar relationship that exists between the European Union (EU) and certain advocacy networks, describing information as the currency of lobbying within the EU (2013: 39). In the case of the financial sector, where the regulatory agencies are more technocratic than they are in the EU, the level of access provided by the expertise of the private sector has led to a situation where the private sector has gained a first-mover advantage (Helleiner & Pigliari 2011, Lall 2012).

Research Questions

As stated in the introduction, this article addresses the question whether or not the Institute of International Finance is subject to first-order capture. First-order capture is closely related to regulatory capture, which has returned to the forefront of political science and international economic literature since the start of the financial and economic crisis in 2007. The idea of regulatory capture is hardly new: Nobel Prize winning economist George Stigler was one of the first authors to write about the subject in 1971 in his influential article *the Economic Theory of Regulation*. Stigler identified the industry (Stigler's example was the petroleum industry) as the entity seeking regulation, for it could then use the coercive power of the state to strengthen the position of the existing players and limit the number of new players entering the fray (1971: 393).

In his 2012 article, Major finds that due to a process of both de- and reregulation, the global financial framework has been reformed into an architecture that served to allow private-sector banks to take greater risks for higher rewards (546-7). As a result, a system was put in place in which banks could take huge risks without it affecting the soundness of their balance sheets

(Major 2012: 548). Lall (2012) also discusses regulatory capture and its effects on the regulatory architecture of the international finance. Like Major, Lall finds that regulators and the sector have worked together to create a new regulatory infrastructure that fails to meet public demands for more risk-averse banking practices (Lall 2012: 632-3).

In an article arguing against the prevalent idea that the agencies responsible for the regulation of the financial sector are subject to wholesale purchase by private sector interests, Kevin L. Young states "the character of the financial regulatory policy network at the time allowed transnational lobbyists to not only push their agenda, but to do so with close access to policymakers. [Regulators] certainly made use of information provided by banks, but this was more selective and inductive than wholesale purchase of private sector arguments" (2012: 681). Young's argument does not dispute the existence of regulatory capture; he disagrees with the definition of regulatory capture that assumes a comprehensive takeover.

In all these articles and many others (see: Underhill & Zhang 2008, Laffont & Tirole 1993, Helleiner & Porter 2009), the banking sector is always treated as a united front, a single-minded, monolithic entity. This article challenges that notion and asks if the transnational actor representing the financial sector has itself been captured by a relatively small group of banks. This first-order capture of the decision-making process within organizations has not yet been explored or investigated, which is what this article attempts to correct.

Methods

My investigation will rely mostly on sources provided by the IIF. I will build my argument through an institutional analysis of the IIF, using the reports and available information they provide on their website. The most important part of my argument will be based on an explorative look at the 2013 version of the IIF's bylaws[1] to discover how the IIF is governed and how the decision-making power is divided. The bylaws act as the organization's rulebook, detailing how decisions are made, as well as providing a general framework for the organization's leadership structure. In addition to the IIF's bylaws, I will also make use of the bylaws of an organization similar to the IIF, the International Swaps and Derivatives Association (ISDA), whose bylaws are available online. Since the system the ISDA's bylaws detail is quite different from the one used by the IIF, I will use the ISDA's bylaws to compare and contrast the IIF bylaws. Although the ISDA is not the subject of any further analysis in this article, however their status as an organization similar to the IIF makes their bylaws a useful comparative tool to illustrate how a different approach to membership and voting rights yields different results.

[1] These bylaws are not publically available; they are only provided to (prospective) members of the organization and have been made available to the author by the IIF.

Table 1: Membership groups of the IIF[2]

Group I	Members with total assets > 200 billion dollars
Group II	Members with total assets between 100 and 200 billion dollars
Group III	Members with total assets between 50 and 100 billion dollars
Group IV	Members with total assets between 3 and 50 billion dollars
Group V	Members with total assets < 3 billion dollars

In addition to an institutional analysis of the IIF using the bylaws, attention will be devoted to the results of first-order capture, the viewpoints and advocacy goals of the captured transnational actors. To do this, I will devote some attention to the electoral end results of the IIF, specifically their Board of Directors.

The first step of my investigation will be to analyse the institutional foundation of these transnational actors, to see if the major banks have an institutional advantage over smaller banks. Second, attention will be devoted to the individuals who sit on the Board of Directors for the IIF, since how they are elected and which members they represent. The IIF is the main focus of this article, since it is the major player when it comes to transnational organizations representing banks. Because of their status as the world's only association for financial institutions, the approach I will be taking will take the shape of an institutional analysis of a particular actor on the global financial stage (the actor in question is the IIF). Using a multitude of sources and a number of examples of possible takeover, a general idea regarding the first-order capture of the IIF should emerge.

Members

In order to ascertain whether or not first-order capture has occurred within the IIF, this section will deal with the system of membership employed by the organization. In its bylaws, the IIF places its members in different groups based on the members' total assets. The bylaws do not specify a reason for this grouping, though the intent seems to ensure the IIF can ask reasonable membership fees from its members. Five membership groups exist, each defined by the US dollar value of their total assets. Table 1 shows the definitions of the groups detailed in the IIF bylaws can be.

Though the numbers seem very large it is important to note that the members are being categorized based on their total assets, which always makes for larger numbers. For many of the largest financial institutions the total assets go into the trillions of US dollars. Going into 2012,

[2] Article III, Section 11 of the IIF bylaws (IIF 2013a)

the top 10 largest banks in the world all had total assets over 2 trillion dollars [3], and every bank listed on the top 10 of them are IIF members. However, the groups are not quite set in stone. Section 11 of Article III explicitly states that lower ranked members (placed by their total assets into Group II, for instance) can still move up to Group I, provided they "elect to become a group I member (…) by paying the membership dues (…) of a group I member" (IIF 2013a: 6). There is then, some upwards mobility possible when it comes to group membership and paying higher membership dues is permitted. The bylaws make no mention of downward mobility in any way, thus it is not possible for a member to pay less than what the IIF deems its fair share of the dues.

The division into groups merely indicates that the IIF differentiates its members in terms of their total assets. In and of itself, this is very logical. After all, IIF members include Deutsche Bank and their whopping $2,8 trillion in total assets, but at the same time it also includes the Golomt Bank of Mongolia, whose total assets in 2010 amounted to $1,1 billion [4]. With membership so diverse in terms of wealth, it makes sense for the IIF to create some sort of system to ensure that smaller players can still join up without making the larger members' dues disproportionately low. As the bylaws specify[5], the Board of Directors annually decide the membership dues per fiscal year per group (IIF 2013a: 7). In addition to this 'regular' membership, an associate membership option is detailed[6], which has separate membership fees and privileges[7]. Associate members enjoy full access to the IIF's website and annual meetings, though the bylaws also state[8] that they are not allowed to vote at the meetings (IIF 2013a: 4).

According to the IIF's website, 'regular' members are typically commercial banks and investment banks, as well as a growing number of insurance companies and investment management firms. Associate members are other financial companies: multinational corporations, trading companies, export credit agencies, and multilateral agencies (IIF 2013b: 59-64). What this means is that though technically members of the IIF, associate members have no voice in the decision-making process, instead, they are given the role of the privileged guest who can build up a network and attend all the events organized by the IIF, but remain unable to make their voice heard directly by voting.

As mentioned in article III, section 11 of the bylaws, it is possible for members of the IIF to jump in line and join a membership Group higher than their total assets would allow. The rules indicate specifically that member of Groups II or III can become members of groups I or II, respectively, simply by indicating they are willing to pay the higher membership dues that come

[3] General Finance, August 27th 2012 www.gfmag.com/tools/best-banks/11986-worlds-50-biggest-banks-2012.html#axzz2SQLVKtBP, accessed June 16th 2013
[4] Golomt Bank, 2011. http://www.golomtbank.com/uploads/users/2-admin/Annual_Report2010_eng.pdf , accessed June 16th 2013
[5] Article III, section 13, subsection b (IIF 2013a: 7)
[6] Article III, section 2 (IIF 2013a: 4)
[7] Article III, section 13, subsection c (IIF 2013a: 7)
[8] Article III, section 13, subsection b (IIF 2013a: 7)

with being a member of the higher group (IIF 2013a: 6). The bylaws do not say if the upward mobility option exists only for the groups mentioned, though the fact two group are specified seems to indicate that no upward mobility option is available for members placed in groups IV or V. Double moves, where a Group III member becomes a Group I by jumping to Group II and then jumping again, are impossible: the IIF only allows one jump a year and the bylaws state that members are classified annually (IIF 2013a: 6).

The Group in which a member is placed in is important; it determines the membership dues the organization must pay to the IIF. The dues paid by a member matter, for they are used to distribute the votes amongst members: simply put, the more you pay, the more votes you get. Article III, section 12 states: "In all matters (…) approval by the members shall be by majority vote (…) and each Member shall have one (1) vote for each $10,000 in annual dues paid by such Member." (IIF 2013a: 6). This rule does two things: first, it provides an incentive to lower ranked members to jump to a higher group. Second, and more importantly, it ensures that members of Group I (those with total assets above $200 billion) have more control over what the IIF does and does not do than members from other groups. The membership dues are not made public, though the IIF does indicate that they use total assets to determine them[9]. Still, all signs indicate it concerns large quantities of money: in their annual report over 2012, the IIF indicates it had an operating revenue of $32,8 million, which amounts to 97,7% of their total revenue (IIF 2013b: 57).

[9] IIF, 2013. http://www.iif.com/membership/#dues, accessed June 16th 2013

FIG. 1

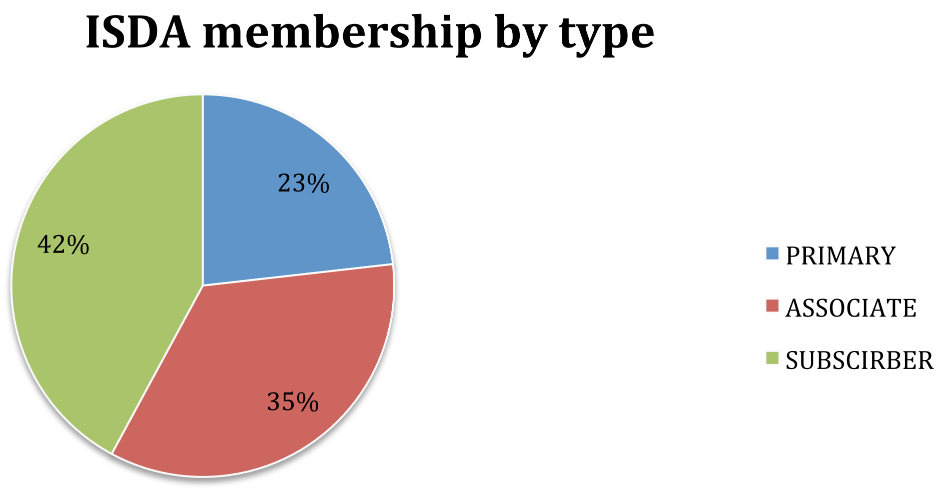


FIG. 2

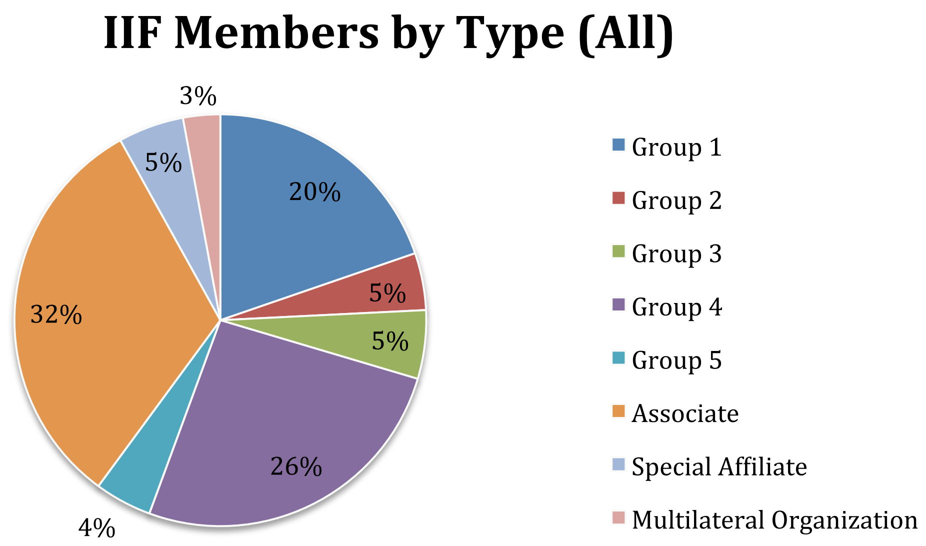
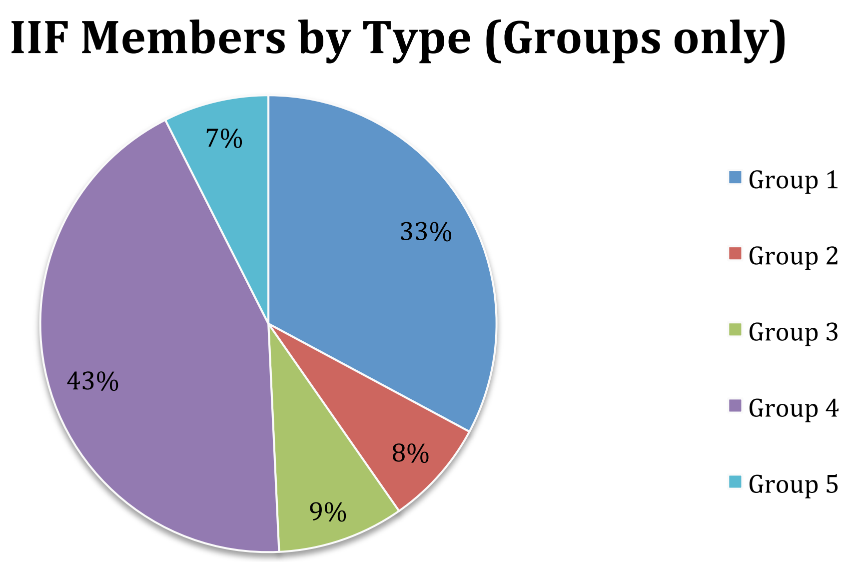


FIG. 3



Voting Rights

In this section, I will take a closer look at the way the voting process within the IIF takes shape. In order to show what the voting system of the IIF looks like, I will discuss how their membership setup differs from the one employed by a similar organization, the ISDA. After that, I will show how the system of categorizing membership is worked into a voting system by the IIF.

The provisions with regard to voting found in the IIF bylaws are especially interesting when compared to a similar document from a different organization. The ISDA is an organization that represents the participants of the derivatives market and says it "fosters safe and efficient derivatives markets to facilitate effective risk management for all users of derivative products"[10]. Membership of the ISDA is handled slightly differently than that of the IIF, though both have ways of differentiating between paying members. In its bylaws, ISDA specifies three types of membership: primary, associate and subscriber (ISDA 2011: 3). For all practical purposes, the primary members are the ones that matter, since they are the group comprised of investment, merchant and commercial banks that are in the business of derivative swapping. The other two classes are reserved for organizations that are in other ways connected to swaps and/or derivatives, but do not directly work with them (the bylaws specifically mention law firms, accounting firms and consulting firms). The defining trait for these companies or persons is that they are interested in the business, but not directly involved. The non-primary members pay different dues and, as is the case with the IIF, do not get to vote. Unlike the IIF however, the ISDA does not differentiate between primary members: every primary member gets a single vote (ISDA 2011: 6-7). Both organizations do use the same system to make decisions in the same way: decisions are taken by a majority of the available votes (ISDA 2011: 6-7, IIF 2013a: 6). The difference between the two lies in the way the votes are distributed amongst the members.

For the ISDA, this system means that of its 836 total members, only 194 have a right to vote. The other 642 members are either associate member (290 members) or subscriber (352 members)[11]. In other words, the ISDA's decision-making power lies with the 23% of members who qualify as primary members, the other 77% are without voting authority (see Fig. 1). Furthermore, all ISDA leadership is entirely of primary member provenance: "Each member of the Board of Directors (…) must be an officer, partner, principal or employee of a Primary Member or of the affiliate through which a Primary Member conducts its business in [derivatives]" (ISDA 2011: 7). It is important to stress that this is a key difference in the way these two organizations go about making decisions: for the ISDA, membership status is only related to the type of company the

[10] ISDA, 2013. http://www2.isda.org/about-isda/mission-statement/, accessed June 16th 2013
[11] ISDA, 2013 http://www2.isda.org/membership/members-list/, accessed June 16th 2013

member is: banks become primary members, while supporting companies, such as consultancy or legal firms, become associate members. Anyone else becomes a subscriber. At a glance, it seems undemocratic that 23% of members hold 100% of the decisions, but all members in the Primary Member group are equal and given a single vote, and their membership to the 23% is not in any way related to their assets.

The IIF's membership grouping is set up in a different way. The choice between associate and 'regular' membership is one every member can make: 42 of 142 associate members are some type of financial company (see Appendix B). This means 30% of the IIF's associate members would not be associate members if the IIF employed the same rules as the ISDA, since these members are active agents in the world of international finance rather than supporting companies. More importantly, the members that do have voting rights are further divided into groups by the IIF. According to the ISDA's bylaws, all these members are equal (ISDA 2011: 3), according to the IIF; some are more equal than others (IIF 2013a: 6-7). In figure 2, it becomes clear how exactly the IIF's members are divided (for a more specific overview, see Appendix A). Straight off the bat, 40% of the organizations listed as IIF members become irrelevant to the voting process, since Associate Members (32%), Special Affiliates (5%) and Multilateral Organizations (3%) do not get to vote. Once those non-voting members are removed, that leaves just the groups as seen in figure 3 (see Appendix A for a more detailed list). As figure 3 shows, Group 1 ($200 billion or more in total assets) consists of a third of the total members with voting rights. Group 4 holds the biggest chunk of the IIF's membership: 44% of IIF members fall in the $3-50 billion US dollar total asset range, which is unsurprising considering how broadly defined this Group is. Groups 2, 3, and 5 are relatively small.

What this makeup means in terms of votes is difficult to ascertain, since membership dues, which determine the amount of votes each Group Member gets, are not publically available. However, even assuming a flat percentage is taken per group, large discrepancies between membership Groups are unavoidable. Assuming a scenario in which a percentage of the

Table 2: Vote diffusion in the IIF

	Threshold (US$)	Dues (US$)[12]	Votes per member[13]	Group Size[14]	Vote Total
Group 1	200 billion	2 million	200	87	17,400
Group 2	100 billion	1 million	100	20	2,000
Group 3	50 billion	500,000	50	24	1,200
Group 4	3 billion	150,000	3	118	354
Group 5	1 billion[15]	10,000	1	19	19
TOTAL	-	-	-	268	20,973

minimum Group Membership threshold is taken, the simple fact that the minimum threshold jumps considerably between groups III and IV (the threshold for group III is nearly seventeen times higher than the threshold for group IV), creates a situation where the voting power of groups IV and V is reduced considerably (see Table 2).

Though speculative, table 2 does illustrate the way in which the rules set by the IIF's bylaws produce a very large institutional advantage to certain membership groups of the organization. If the IIF indeed uses a flat percentage to calculate the annual dues, the math works out such that two Group 1 members (total 400 votes) can outvote all 118 Group 4 members (354 votes). In total, 20,973 votes exist in Table 2, meaning that 53 Group 1 members can outvote the other 215 members of the IIF.

Directorial Makeup

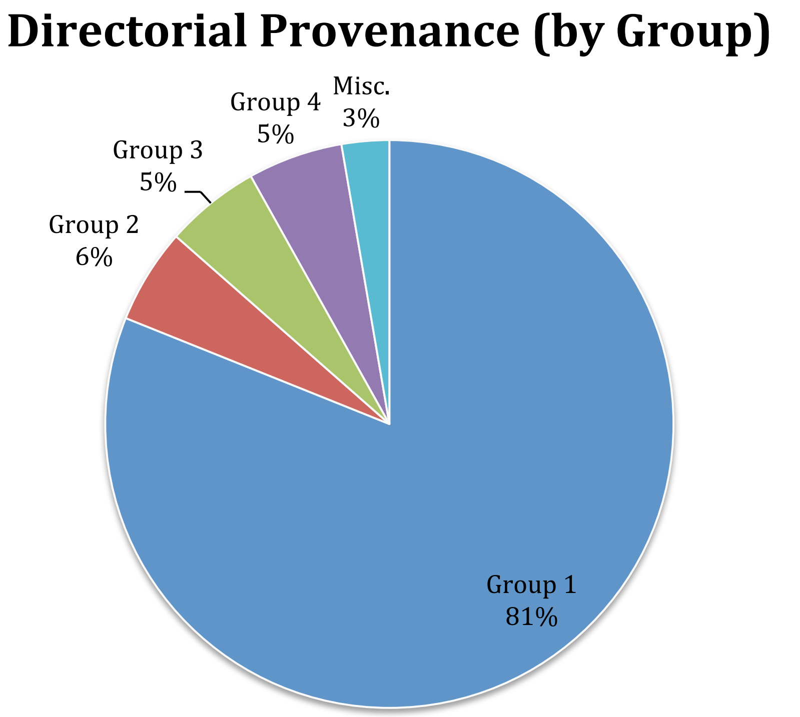
One of the clearest, most visible results of the system set up by the IIF's bylaws can be found when looking at the Board of Directors, the executive office of the IIF, to which an entire section of the bylaws is dedicated. The entirety of article IV of the bylaws is used to outline the way this body is to be set up, function and what its responsibilities and powers are (IIF 2013a: 8-10). The powers and obligations of the Board are broadly defined within the bylaws. The bylaws[16] give the board full power to do spend the IIF's money, manage its affairs, and determine its own regulations (IIF 2013a: 9). In other words, the Board of Directors is responsible for most of the day-to-day management of the IIF. Furthermore, the bylaws were later amended to include a provision that allows the Board to "alter, amend or repeal these bylaws (…) at any regular or

[12] Purely to illustrate the discrepancies, dues are assumed to be 0,001% of total assets every year
[13] As per the IIF bylaws art. III, section 12, 1 vote per US $10,000 (IIF 2013a: 6)
[14] Based on Appendix A
[15] The IIF bylaws specify no minimum total asset valuation for Group 5. This table assumes a minimum total asset value of $1 billion.
[16] IIF Bylaws: article IV, section 4, subsection a (IIF 2013a: 9)

special meeting of the board, by the affirmative vote of a majority of the entire Board of Directors" (IIF 2013a: 14). In short, the IIF's Board of Directors functions as a cabinet for the IIF, and has a great deal of decision-making power.

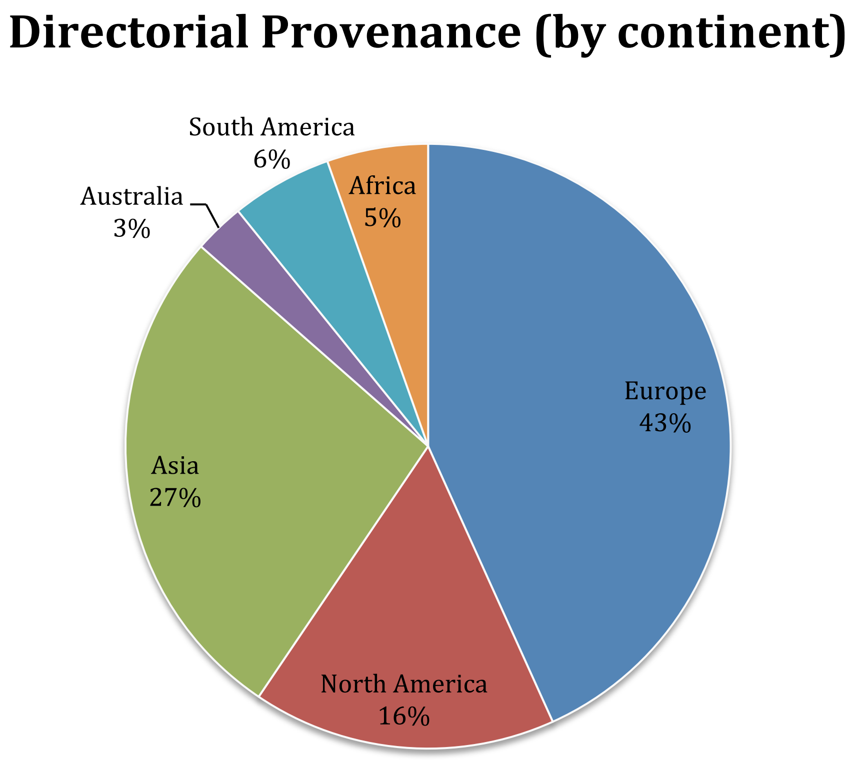
The Board is a direct result of the power balance within the organization, as well as a consequence of the voting system discussed earlier. A more in-depth look will now be taken at the Board of Directors itself. Taken by themselves, the section of the bylaws that deals with the Board of Directors provides a framework for a governing body of the organization that appears more egalitarian than the general membership: the Board is to have 37 members, 29 elected by the members, 7 elected by the board and one being the IIF President-CEO, who is himself elected by the Board of Directors (IIF 2013a: 8, 10). Unlike the members, each Director is given a single vote, and decisions are made by a majority of the directors (IIF 2013a: 9). However, when examining the net results of the system the bylaws put in place, it becomes clear a level playing field does not exist.

FIG. 4



Directorial Provenance (by Group)
Misc.
3%
Group 4
5%
Group 3
5%
Group 2
6%
Group 1
81%

FIG. 5



Directorial Provenance (by continent)
South America
6%
Africa
5%
Australia
3%
Europe
43%
Asia
27%
North America
16%

First, the bylaws state that the first annual meeting of the IIF is the occasion where the IIF members will elect an inaugural Board of Directors. Following that first event, the members will take a back seat and choose the new Board members from a list of candidates nominated by the existing board (IIF 2013a: 8). In the process of nomination, several factors are to be taken into account. These factors are specified by the bylaws, and serve as guidelines for who is nominated: "in making [Directorial] nominations, the Board of Directors may also take into account: (I) The number of memberships in each membership Group; (II) The need for representation of different types of financial institutions; (III) The need to reflect the geographic diversity in membership; and (IV) The desirability of nominating senior executive officers of Members at the highest possible decision-making level who have broad authority within their institutions in the areas of activity of the Institute" (IIF 2013a: 8). However, none of these considerations are mentioned prior to the most important qualification for the job of Director, which is proportional contribution: "In nominating directors for election by the Members, the Board of Directors shall take into account representation of Membership Groups based on the proportional contribution of each Group to the funding of the Institute through annual dues" (IIF 2013: 8).

Once again, the Group membership is critical to the way the IIF goes about its business. Furthermore, the Board of Directors is a self-reinforcing body; it can decide of its own accord who to nominate, since members only get to vote yes or no on any given nomination. This creates a situation in which the Board of Directors has a great deal of influence on who is allowed entry to the IIF's day-to-day leadership. Though the bylaws do somewhat limit the discretionary power of the Board when it comes to whom they nominate and why, it is noteworthy that when it comes to proportional contributions the bylaws are very clear: the board shall take that into account. For the four points that follow, in which the importance of representation of relative group size, type of institutions, and geographical factors are mentioned, there is no language mandating their importance: the Board "may also" take those things into consideration, which means they do not have to (IIF 2013a: 8).

The results of the system set up in the bylaws are shown in figure 4: in 2012, a massive 81% (30 of 37) of Directors come from Group 1 members, while the largest Group in terms of absolute numbers, Group 4, is represented by only 5% (2 of 37) of the Directors (for a detailed list, see Appendix C). Furthermore, as figure 5 shows, the Board is very much dominated by European banks, which control 43% (16 of 37) members. The continental representation is especially harsh to Africa, South America and Australia, who collectively control 14% of the directors (5 of 37). However, even North America is not very well represented, as their 16% (6 of 37) share is inflated by the presence of a non-member Board Member: the IIF's president and CEO. It should be noted that the official Board Counsel, a representative of the American Enterprise Institute, is also from North America (the USA, specifically).

It is also important to take note that the founding members of the IIF elected the inaugural board. These founding members are listed in the quarter-centennial review of the IIF. Without exception they are very large, very wealthy banks and all members of Group 1 (IIF 2007: 177-8). This, in addition to the institutional edge they are given by the bylaws' emphasis on relative contributions, has given these Group 1 banks (and Group 1 members in general) another important advantage over the rest of the IIF membership: first-mover advantage. In his article *From Failure to Failure*, Lall notes the fundamental impact this first-mover advantage has: "actors claiming 'first-mover advantage' have enormous leverage at a critical juncture in the regulatory process, since policy decisions made at an early stage tend to be self-reinforcing" (Lall 2012: 616). Determining how large the first-mover advantage is, is exceedingly hard to pinpoint. The only thing that is absolutely certain is that as per the IIF's own overview of their Directors (IIF 2013b: 4-5), the Board of Directors is dominated by institutions similar to its founding members: very wealthy and from large economies.

Implications

Having considered the membership grouping, the general voting system, and the makeup of the Board of Directors, the question becomes what the results, presented in the previous section, mean with regard to the existence of first-order capture.

The implementation of the A-IRB approach became subject of a lobbying campaign around 1998. At the time, the Basel Committee on Banking Supervision (or BCBS) had finalized plans for a revision of the so-called Basel Accord of 1988. Simply put, the Basel Accords are the rules of the game when it comes to international finance. The BCBS is a committee made up of Central Bankers, and the rules set forth by them are the rules that any internationally operating bank needs to follow[17]. This lobbying effort was made by both the IIF (2007: 67-77) and the ISDA (1998): the goal was simple: to have the Basel II Accord allow for use of the A-IRB approach. In the quarter-centennial review, the IIF recalls the arguments it used to convince the BCBS in the period between 1998 and 2004: internal ratings would lead to a system better attuned to real capital risks, provide real incentive for banks to upgrade their own risk assessment systems, and improve the BCBS' ability to safeguard the system (IIF 2007: 77). In other words, the A-IRB approach was a win-win for the industry as well as the regulators.

Kevin L. Young (2012) argues against the assertion by other scholars that the BCBS simply followed the orders given by the private sector when it come to allowing the use of the A-IRB approach. Young (2012: 672-4) describes the BCBS as an active party in the debate, rather than the meek follower of industry pressures other authors, such as Lall (2012: 611-13), and

[17] BCBS, 2013. http://www.bis.org/bcbs/about.htm, accessed June 16th 2013.

Zhang and Underhill (2004: 545-6) portray them. Regardless of the BCBS' posture during the negotiations, by the time Basel II was being implemented, the A-IRB approach was part of it, even if the implementation was not as far-reaching as the private sector wanted it to be (Lall 2012: 620, Young 2012: 674). With regards to first-order capture, it is important to note that A-IRB as a system in and of itself does not serve the entire financial industry. In addition to lowering the capital requirement for risks taken by banks, Lall asserts that due to the complexity of the systems and the costs associated with building an internal rating system, A-IRB is available only to the largest banks: "the introduction of [the A-IRB approach] would also give the largest banks a substantial competitive advantage over smaller rivals" (2012: 613). Even the IIF recognizes that internal ratings is not for everyone, stating that the reason to implement a tiered system (where one tier would not be allowed internal risk models and another would), was not to provide a level playing field, but instead to be "geared to the realities of today's global capital markets" (IIF 2007: 69). In other words, the IIF's push for A-IRB was not motivated by a desire to provide a level playing field for all its members, but rather to consolidate the status quo of the late nineties for its 'upper tier' members. In the end, this mission was a success, as the BCBS allowed for the A-IRB approach to be used by the larger banks (BCBS 2004: 48).

Second, there is a deterring effect that first-order capture has had on the membership of the IIF. When listing the differences in the ways the ISDA and IIF differentiate between members, it was established that while the ISDA determines the membership status of each member in accordance with their activity, the IIF allows members to choose their level of involvement, as either associate or regular members, themselves. In short, the ISDA's bylaws indicate that the ISDA determines what sort of member their members are, and uses that knowledge to put the member in one of three groups: Primary ("any person or entity that (…) deals in derivatives"), Associate ("any person or entity that provides professional services to Primary members") or Subscriber ("anyone not eligible for Primary or Associate membership") (ISDA 2011: 2). This is not the way the IIF handles its membership: a member is free to choose 'regular' or associate membership. It is only after 'regular' membership has been chosen that the system with the Membership Groups and the associated vote distribution comes into play.

This has led to a situation in which 42 out of 142 associate members of the IIF are of the type that would have been primary members of the ISDA by default. These companies include investment banks, hedge funds, private banks and investment management firms (IIF 2013b: 61-2, for a more detailed list see Appendix B). As figure 6 shows, these 42 members make up 30% of the total associate members. Since there is no mechanism that mandates these members to become 'regular' members, these associate members do not need to justify their choice in any way. It can be argued that the reason these members avoid regular membership can be traced back to the first-order capture of the IIF by its most powerful members and the institutional makeup of the organization as a result of this first-order capture. This deterrence occurs in two ways: reinforcement of free rider problems and practical concerns.

Whenever collective action is undertaken, the free rider problem comes into play. Essentially, if an actor is rational and means to maximize gains and minimize losses, it becomes increasingly rational for him to seek a role that allows him to contribute as little as possible and still receives all the benefits from the collective (Hardin 2013). With individuals, this sort of behaviour might be considered counter-productive, a-moral or reprehensible; a company need not concern itself with such labels. In the case of the IIF, the free rider problem is aggravated by the relative distribution of power within the organization: an associate member who according to total assets would be placed in Group 1, such as Capital Group International, Inc. (who manage over a trillion dollars in assets), can avoid paying the Group 1 membership dues by remaining an associate member whilst still having the benefit of associate membership. The free rider incentive is especially strong for Group 1 rated members of the 42 financial actor associates, since the institutional makeup discussed earlier guarantees their interests are still being amply represented.

For many more members, practical concerns may lie at the core of their decision to remain associate member. Many of the 42 associate members are not Group 1 members, but fall in one of the lesser categories. This means that their possible influence on the course the IIF chooses is not very big. Harkening back to the rationality of companies, the case for associate membership, with lower annual dues and no voting rights, is stronger than the case for regular membership, with the regular annual dues and a vote that has little to no impact. This of course is always a problem for any organization, but it is easy to see how this problem is much more pronounced in the case of the IIF: the Membership Groups and the membership dues deciding the number of votes for each member create a strong negative incentive for any non-group 1 member considering to join the constituency. In spite of all this, regular IIF membership is still growing. Though this makes very little sense from a rational point of view, one reason for this continued growth might be that members are forced to conform thanks to the logic of appropriateness, which moves actors to increase their legitimacy and strengthen their identity by sharing in the values and norms (Sending 2002: 449).

Life Cycle

As mentioned in the theoretical framework, regulatory and first-order capture have a relation to norm dynamics. According to Finnemore and Sikkink (1998: 895-6), norms change over time and follow a three-stage life cycle in the process of doing so: first, a new norm must emerge (norm emergence), then it must gather a following (norm cascade), until finally it is widely accepted and followed (norm internalization). This three-stage life cycle is mostly irrelevant as far as the subject of this essay is concerned, since the capture (both regulatory and first-order) takes place before the so-called tipping point between norm emergence and norm cascade. Regulatory capture describes the process where actors, who should not be involved in the process prior to the cascade or internalization stage, co-opt the first stage of the life cycle. This situation leads to a first-mover advantage for these actors, which leads to a change in the intent of the norm entrepreneur (in this situation, the BCBS is the norm entrepreneur). In other words, rather than signing up for the new norms at the norm cascade stage, regulatory capture allows organizations such as the IIF and the ISDA to obtain a first-mover advantage in a stage where, technically, they should not (for a more detailed explanation of first-mover advantage and its effects, see Lall 2012).

First-order capture has a similar effect to regulatory capture, but in a different cycle altogether. Before the advocacy process starts, norms must emerge, cascade and be internalized within the advocacy groups themselves. This is the part of the process where first-order capture comes into play. In the case of the IIF, the location where the bulk of the first-order capture actually takes place in the second stage. It is this second stage of the life cycle, the cascade, where the first-order capture sets in. Simply put, the Group 1 members of the IIF have so much power compared to the other groups that within the organization, they can cascade whatever norm they choose. In absolute terms, Group 1 may make up only 33% of the IIF's members (see Fig. 3), but the rules set out in the bylaws set up a system where Group 1's relative share is much greater than that. Finnemore and Sikkink describe the cascade stage in terms of countries accepting a new piece of legislation (1998: 902-4). In the context of the IIF however, the voting system requires a different terminology to be used to describe the process: not actors (countries) support the emerging norm, but votes.

Thus the process of a norm change is altered by both regulatory and first-order capture. First, first-order capture creates a situation in which the advocacy networks see the emergence, cascade and internalization of norms that ultimately serve only a small part of the members (and in some cases, such as A-IRB, does a disservice to others). Next, regulatory capture ensures that this advocacy network has early access and a first-mover advantage in discussions with the norm entrepreneur at the international regulatory level. If we take the A-IRB approach as an example, the end of the second cycle saw the internalization of a norm that the BCBS initially considered undesirable (Young 2012: 673) and that provided a competitive advantage given to larger banks over smaller ones, which went against the stated goals of both the IIF and the BCBS (Lall 2012: 613).

Conclusion

With this article, I set out to do an institutional analysis of the Institute of International Finance, and to determine whether or not it has been subject of first-order capture. Through an examination of the bylaws of the IIF, as well as their Annual Report of 2012 and their quarter-centennial review published in 2007, I have attempted to find out how the organizations comes to its decisions, who ends up making the decisions and in the interest of whom these decisions are made. It is the conclusion of this article and my investigation that there is indeed a strong case to be made about the first-order capture of the IIF.

Unlike regulatory capture, for which the evidence of the capture can best be found by observing the results of the regulatory process, as well as the process itself, first-order capture can be found much more effectively by carefully examining the institutional makeup of an organization. This is the case because unlike regulatory capture, first-order capture does not occur in unregulated exchanges of information or private conversations. Instead, it has been found codified and hard-wired into the organization from the very early beginning. A tremendous first-mover advantage is given to founding members of organizations, who by virtue of being the parties involved in writing the rules can have a formidable and long-lasting impact on the organizational structure. The fact that even in 2013, 81% of the Directors of the IIF come from Group 1 members is a telling piece of evidence to support the idea that the IIF is, in practice, an organization serving its wealthiest and most powerful members, rather than supporting the "efficiency, transparency, stability and competitiveness of the global financial system"[18] it claims to, the organization is heavily incentivised to support the competitiveness of the global financial giants, who as members of Membership Group 1 are the most powerful entities within the IIF.

That said, it is also important to note that the bylaws and the way I have interpreted them in this article have perhaps drawn a harsher picture of the IIF than exists in reality. Though the members are grouped according to their total assets and different measures of influence are bestowed upon these groups, this difference may be more technical than practical. The fact one bank falls into Group 1, while another falls into Group 4 does not necessarily mean their interests are at odds with each other most, or even some, of the time. If and how exactly these interests diverge was not the subject of this article, but may provide an interesting subject for future research. What this article can say is that regardless of their interests, Group 1 members are given an institutional edge whenever the members get to vote, and by its very nature this creates an inequality amongst the members of the organization. This constitutes first-order capture, since everything that follows from this institutional advantage, from the day-to-day to the long-term goals of the IIF, is aimed at serving the powerful minority rather than the general majority of members.

The consequences of the first-order capture I have illustrated in this essay are two-fold; on the one hand the choices made by the organization with regards to its advocacy goals are influenced.

[18] IIF, 2013. http://www.iif.com/about/, accessed June 16th 2013.

Rules that benefit the powerful minority are supported by the organization as a whole, even if it means a competitive disadvantage for other members. On the other hand, the powerlessness of the smaller members, and the pre-existing dominance of others, creates a negative incentive towards membership. Smaller members are faced with a situation where their individual vote is even more insignificant than any single vote within a constituency of 268 already is. For larger organizations, who would be placed in Group 1, there is a very powerful free rider incentive not to apply for 'regular' membership: associate membership is a cheaper option for these organizations, and the status quo already serves their interests.

If nothing else, this article has shown that an investigation of the rules and regulations of an advocacy group can yield interesting results for those who look for first-mover advantages and first-order capture occurrences. This article cannot say whether or not the IIF's way of membership grouping and influence distribution is commonplace amongst advocacy networks; this will have to be examined by future research. What can be said is that different systems, without size-specific influence determination, do exist. The system outlined by the ISDA in its bylaws, for example, determine membership status according to the level of involvement rather than total assets. Such a system however, is not the one the IIF, the worlds' largest representative of the financial sector, uses. Instead, a system is employed that allows the largest banks in the world to dominate the organization thanks to first-order capture.

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APPENDIX A: IIF MEMBERSHIP STATUS OVERVIEW

All membership data taken from the most recent verified source, the IIF's 2012 annual review (IIF 2013b: 60-4). Shorthand used: AM (Associate Member), SP (Special Affiliate) and MO (Multilateral Organization).

Company (alphabetical per country)	*Status*	*notes*
Algeria		
Banque Extérieure d'Algerie	4	
Credit Populaire D'Algerie	4	
Argentina		
Banco de la Provincia de Buenos Aires	4	
Banco de la Provincia de Córdoba	4	
Banco Galicia	4	
Banco Hipotecario	5	
Banco Supervielle S.A	5	
Australia		
Australia and New Zealand Banking Group Limited	1	
Commonwealth Bank Group	1	
Export Finance and Insurance Corporation	AM	
Future Fund	AM	
Macquarie Group Limited	2	
National Australia Bank Ltd.	1	
Suncorp Group Limited	3	
Westpac Banking Corporation	1	
Austria		
MIMA Kapitalanlage AG	AM	
BAWAG P.S.K.	4	
Erste Bank	1	
Ithuba Capital AG	AM	
Raiffeisen International Bank-Holding AG	2	
Bahrain		
Ahli United Bank	4	
Arab Banking Corporation	4	
BMI Bank B.S.C.	5	
Economic Development Board	AM	
Gulf International Bank B.S.C.	4	
United Gulf Bank, B.S.C.	5	
Belgium		
Dexia	1	
Euroclear SA/NV	AM	
European Development Finance Institutions (EDFI)	4	
KBC Bank N.V.	1	
ONDD	AM	
Bermuda		
Arch Capital Group Ltd.	AM	
The Bank of N.T. Butterfield & Son, ltd	4	

Company (alphabetical per country)	*Status*	*notes*
Brazil		
Banco BBM S.A.	4	
Banco Bradesco S.A.	2	
Banco Central do Brasil	SP	
Banco da Amazonia	4	
Banco do Brasil S.A.	1	
Banco Fator – Seguradora	4	
Banco Fibra S.A.	4	
Banco Votorantim S.A.	3	
BNDES	AM	
BTG Pactual	AM	
FEBRABAN	SP	
Gávea Investimentos	AM	
Itaú Unibanco Multiplo S.A.	1	
Vale	AM	
Bulgaria		
United Bulgarian Bank AD	4	
Canada		
Bank of Nova Scotia	1	
BMO Financial Group	1	
Canadian Bankers Association	SP	
Canadian Imperial Bank of Commerce (CIBC)	1	
Caisse de dépôt et placement du Québec	AM	
CPP Investment Board	AM	
Export Development Canada	SP	
Manulife Financial	AM	
OMERS Capital Markets	AM	
Ontario Teachers Pension Plan	AM	
RBC Financial Group	1	
TD Bank Financial Group	1	
Chile		
Banco Central de Chile	SP	
Banco de Chile	4	
Banco de Credito e Inversiones	4	
BancoEstado	4	
Corp Banca	4	
Grupo Security	4	
Larrain Vial SA Corredora de Bolsa	AM	

Company (alphabetical per country)	*Status*	*notes*
China, People's Republic		
Agricultural Bank of China	1	
Agricultural Development Bank of China	AM	
Bank of Beijing	1	
Bank of China	1	
Bank of Communications	1	
Beijing Rural Commercial Bank	3	
China CITIC Bank	1	
China Construction Bank	1	
China Development Bank	1	
China Galaxy Securities Company Limited	AM	
China Guangfa Bank Co., Ltd	2	
China Huarong Asset Management Corporation	AM	
China International Capital Corporation Limited	AM	
China Life Insurance (Group) Company	AM	
China Merchants Bank	1	
China UnionPay Co., Ltd.	AM	
Hua Xia Bank	2	
Industrial and Commercial Bank of China, Ltd	1	
Ping An Insurance (Group) Company of China, Ltd.	AM	
The Export-Import Bank of China	AM	
Colombia		
Asobancaria	SP	
Banco Davivienda S.A.	4	
Bancolombia S.A.	3	
Banco De La Republica	SP	
Fondo LatinoAmericano de Reservas	4	MO**
Costa Rica		
Banco Nacional de Costa Rica	4	
Croatia		
Privredna Banka Zagreb d.d.	4	
Denmark		
Danske Bank A/S	1	
Nykredit Realkredit A/S	3	
Dominican Republic		
Grupo Financiero León	4	
Ecuador		
Produbanco	5	
MerchantBansa S.A.	AM	
Egypt		
African Export-Import Bank	AM	
Arab African International Bank	4	
Arab International Bank	4	
Banque Misr	4	
Commercial International Bank (Egypt) S.A.E.	4	
National Bank for Development	4	
National Bank of Egypt	4	
Suez Canal Bank	4	

Company (alphabetical per country)	*Status*	*notes*
Finland		
Finnvera Plc.	AM	
Nordic Investment Bank	4	MO
OP-Pohjola Group	3	
France		
AXA Group	AM	
BNP Paribas	1	
BPCE	1	
CIC Group	1	
Coface	AM	
Council of Europe Development Bank	4	MO
Credit Agricole	1	
Lazard	AM	
Natixis	1	
Société Générale	1	
Germany		
Allianz SE	AM	
Angermayer, Brumm & Lange	AM	
Association of German Banks	SP	
Bayern LB	1	
Commerzbank AG	1	
DekaBank Deutsche Girozentrale	1	
Deutsche Bank AG	1	
Deutsche Pfandbriefbank AG	1	
Deutscher Sparkassen- und Giroverband	SP	
DZ Bank	1	
Euler Hermes	AM	
Landesbank Baden-Württemberg	1	
Ghana		
Bank of Ghana	SP	
Greece		
Alpha Bank	3	
The Black Sea Trade and Development Bank	5	MO
Eurobank EFG S.A.	3	
National Bank of Greece, S.A.	2	
The Olayan Group	AM	
Piraeus Bank	4	
Honduras		
Banco Ficensa	5	
Banco Ficohsa	5	
Central American Bank for Economic Integration	4	MO
Hong Kong SAR, China		
Hong Kong Exchanges & Clearing Ltd.	AM	
Lim Advisors Limited	AM	
Hungary		
Central European International Bank Ltd.	4	
MFB Hungarian Development Bank	4	
MKB Bank	4	
OTP	4	

Company (alphabetical per country)	*Status*	*notes*
India		
Aptivaa Consulting Solutions Ltd.	AM	
Bank of Baroda	1	
Bank of India	1	
Export Credit Guarantee Corporation of India Ltd.	AM	
Export-Import Bank of India	AM	
ICICI Bank	1	
Kotak Mahindra Bank	5	
State Bank of India	1	
Indonesia		
P.T. Bank Mandiri	3	
Iraq		
Trade Bank of Iraq	4	
Ireland		
Allied Irish Bank	1	
Bank of Ireland	1	
Irish Bank Resolution Corporation Ltd.	Liquidated***	
Italy		
Assicurazioni Generali S.p.A.	AM	
Associazione Bancaria Italiana	SP	
Banca Monte dei Pashi di Siena	1	
Banca Sella S.p.A.	4	
Intesa Sanpaolo S.p.A.	1	
UniCredit Group	1	
Jamaica		
National Commercial Bank Jamaica Ltd	4	
Japan		
Development Bank of Japan Inc.	AM	
Japan Bank for International Coordination	AM	
Canon Institute for Global Studies	AM	
Mitsubishi Corporation	AM	
Mitsubishi UFJ Financial Group	1	
Mizuho Financial Group	1	
Nippon Export and Investment Insurance Corporation (NEXI)	AM	
Sumitomo Mitsui Financial Group	1	
The Norinchukin Bank	1	
Takata Corporation	AM	
Jordan		
Arab Bank Plc	4	
Bank of Jordan	5	
The Housing Bank for Trade & Finance	4	
Jordan Islamic Bank	4	

Company (alphabetical per country)	*Status*	*notes*
Korea		
Export-Import Bank of Korea	AM	
Hana Bank	1	
KB Financial Group	1	
Korea Center for International Finance	AM	
Korea Development Bank	2	
Korea Exchange Bank	3	
Korea Finance Corporation	AM	
Korea Investment Corporation	AM	
Korea Trade Insurance Corporation	AM	
NongHyup Bank	2	
Woori Finance Holdings	1	
Kuwait		
Al-Ahli Bank of Kuwait	4	
Arab Fund for Economic and Social Development	AM	
Burgan Bank	4	
Gulf Bank K.S.C.	4	
Gulf Investment Corporation	AM	
Kuwait Financial Centre S.A.K. (Markaz)	AM	
Kuwait International Bank	4	
Kuwait Investment Authority	AM	
National Bank of Kuwait, S.A.K.	3	
Lebanon		
Association of Banks in Lebanon	SP	
BankMed	4	
Banque Audi, S.A.L. – Audi Saradar Group	4	
Banque du Liban	SP	
Banque Libano-Française, S.A.L	4	
Blom Bank, S.A.L.	4	
BSL	5	
Byblos Bank, S.A.L.	4	
Credit Libanais, S.A.L.	4	
Fransabank, S.A.L.	4	
Societe Generale de Banque au Liban	4	
Luxembourg		
Banque et Caisse d'Epargne de l'Etat	4	
Malaysia		
CIMB Group	2	
Malayan Banking Berhad	2	
Malta		
Bank of Valletta Plc	4	
Mexico		
Banco Financiero Interacciones, S.A.	4	
Banco Nacional de Comercio Exterior, S.N.C.	AM	
Asociación de Bancos de Mexico, ABM, AC	SP	
BBVA Bancomer	2	
Grupo Financiero Banamex, S.A.	3	
Grupo Financiero Banorte	3	
Reaseguradora Patria	AM	
Sociedad Hipotecaria Federal, S.N.C.	AM	

Company (alphabetical per country)	*Status*	*notes*
Mongolia		
Golomt Bank of Mongolia	5	
Mongolian Bankers Association	SP	
Morocco		
Banque Marocaine du Commerce Exterieur	4	
Netherlands		
ABN AMRO	1	
Aegon N.V.	AM	
Atradius Dutch State Business	AM	
Credit Europe Bank N.V.	4	
ING Group N.V.	1	
Rabobank Nederland	1	
Shell International BV	AM	
Nicaragua		
BANPRO	4****	estimate
Nigeria		
Access Bank	4	
Central Bank of Nigeria	SP	
First Bank of Nigeria	4	
United Bank for Africa Plc	4	
Zenith Bank Plc	4	
Norway		
DNB	1	
Oman		
BankMuscat SAOG	4	
Muscat Insurance Company SAOC	AM	
Oman International Bank	5	
Pakistan		
Habib Bank	4	
National Bank of Pakistan	4	
United Bank Limited	4	
Palestine		
Bank of Palestine P.L.C.	5	
The Palestine Monetary Authority	SP	
Panama		
Banco General, S.A.	4	
Peru		
Banco de Credito del Perú	4	
Philippines		
Asian Development Bank	2	MO
Bank of the Philippine Islands	4	

Company (alphabetical per country)	*Status*	*notes*
Poland		
Bank Gospodarki Zywnosciowej S.A.	4	
Bank PKO BP	4	
BRE Bank S.A.	4	
Citibank Handlowy	4	
Portugal		
Banco BIC Portguês, S.A.	4	
Banco BPI	4	
Banco Espirito Santo S.A.	3	
Caixa Geral de Depósitos, SA	2	
Qatar		
Commercialbank	4	
Doha Bank	4	
International Bank of Qatar	4	
Qatar Financial Centre	AM	
Qatar First Investment Bank	AM	
Qatar International Islamic Bank (QSC)	4	
Qatar Islamic Bank	4	
Qatar National Bank S.A.Q.	4	
QInvest	AM	
Russian Federation		
JSC VTB Bank	1	
Saudi Arabia		
Al Rajhi Bank	4	
Arab National Bank	4	
Bank Al Bilad	4	
Banque Saudi Fransi	4	
Islamic Corporation for the Development of the Private Sector	AM	
Jadwa Investment	AM	
National Commercial Bank	3	
SABB	4	
Samba Financial Group	4	
The Saudi Fund for Development	AM	
Saudi Hollandi Bank	4	
The Saudi Investment Bank	4	
Singapore		
DBS Bank	2	
Government of Singapore Investment Corporation	AM	
Oversea-Chinese Banking Corporation Limited	2	
South Africa		
Absa Group Limited	3	
BancABC	5	
FirstRand Bank	3	
Nedbank Group Limited	3	
Standard Bank Group Ltd.	2	

Company (alphabetical per country)	*Status*	*notes*
Spain		
Banco de Sabadell	2	
Banco Popular Espanol, S.A	2	
BBVA	1	
Bankia	1	
CaixaBank	1	
CESCE	AM	
Confederación Española de Cajas de Ahorros	SP	
Iberdrola S.A.	AM	
Santander, S.A.	1	
Spanish Bankers' Association	SP	
Sweden		
EKN – ExportKreditnämnden	AM	
Handelsbanken	1	
Nordea Bank AB	1	
SEB Group	1	
Swedbank AB	1	
Swedish Bankers' Association	SP*****	
Switzerland		
Aker International	AM	
Brevan Howard	AM	
Credit Suisse Group	1	
EFG Financial Products	4	
Hinduja Bank Ltd	4	
Notenstein Private Bank	AM	
Partners Group	AM	
Pictet & Cie, Banquiers	AM	
Swiss Re Ltd.	1	
UBS AG	1	
Zürcher Kantonalbank	2	
Zurich Insurance Group	1	
Taiwan, China		
Mega International Commercial Bank Co., Ltd.	1	
Thailand		
Bangkok Bank Public Company, Ltd.	3	
KASIKORNBANK Public Company Limited	4	
Siam Commercial Bank Public Company Limited	3	
Togo		
Ecobank Transnational, Inc.	4	
Trinidad and Tobago		
First Citizens Bank Limited	4	
Republic Bank Limited	4	
Central Bank of Trinidad and Tobago	SP	
Tunisia		
African Development Bank	4	MO
Amen Bank	4	
Banque Internationale Arabe de Tunisie	4	

Company (alphabetical per country)	*Status*	*notes*
Turkey		
Akbank	3	
Aktif Bank	5	
Alternatifbank A.S.	5	
Banks Association of Turkey	SP	
Burgan Bank A.S.	4	
Development Bank of Turkey	AM	
Eximbank of Turkey	AM	
Finansbank A.S.	4	
Garanti Bank A.S.	3	
Takasbank	5	
Sekerbank	4	
T.C. Ziraat Bankasi A.S.	3	
Türk Ekonomi Bankasi A.S.	4	
Türkiye Halk Bankasi A.S.	5	
Türkiye Is Bankasi A.S.	2	
Türkiye Sinai Kalkinma Bankasi A.S.	4	
Türkiye Vakilifar Bankasi T.A.O.	4	
Turkland Bank	5	
Yapi ve Kredi Bankasi A.S.	4	
United Arab Emirates		
Abraaj Capital	AM	
Abu Dhabi Commercial Bank P.J.S.C.	2	
Abu Dhabi Islamic Bank	3	
Al Hilal Bank	1	
Dubai Financial Services Authority	SP	
Dubai International Financial Center	AM	
Emirates NBD	3	
Fajr Capital	AM	
First Gulf Bank	4	
Mashreqbank	4	
National Bank of Abu Dhabi	4	
National Bank of Fujairah	4	
Union National Bank	4	
United Kingdom		
Algebris Investments	AM	
Allen & Overy, LLP	AM	Laywers
Barclays plc	1	
Baring Asset Management	AM	
Clifford Chance LLP	AM	
European Bank for Reconstruction and Development	3	MO
HSBC Holdings plc	1	
Kleinwort Benson	4	
KPMG	AM	Accountants
Lloyds TSB Group plc	1	
Lone Star Management Europe Ltd.	AM	
Mazars	AM	Accountants
Millennium Global	AM	
Newstate Partners LLP	AM	
Nomura International, plc	1	
Royal Bank of Scotland plc	1	
Standard Chartered plc	1	
White & Case LLP	AM	Lawyers

Company (alphabetical per country)	*Status*	*notes*
United States		
Aflac, Ltd.	1	
American International Group	AM	
Amici Capital, LLC	AM	
Bain & Company, Inc.	AM	Consultants
Bank of America Corporation	1	
BlackRock, Inc	AM	
Bladex Asset Management	AM	
BNY Mellon	1	
Bridgewater Associates, Inc.	AM	
CalPERS	AM	
Capital Group International, Inc.	AM	
Chevron Corporation	AM	
Citi	1	
Cleary, Gottlieb, Steen & Hamilton	AM	Lawyers
CLS Bank International	AM	US Government
CoBank	4	
Convexity Capital Management	AM	
Darby Overseas Investments, Limited	AM	
Debevoise & Plimpton LLP	AM	Lawyers
Deloitte	AM	Accountant
Ernst & Young	AM	
Export-Import Bank of the United States	AM	
Fidelity Management & Research Co.	AM	
Fitch Ratings	AM	rating agency
Franklin Templeton Companies, LLC	AM	
Galileo Global Advisors	AM	
General Electric Company	AM	
Greylock Capital Management, LLC	AM	
Houlihan Lokey	AM	
Inter-American Development Bank	3	MO
International Business Machines Corp. (IBM)	AM	
Goldman, Sachs & Co	1	
The International Finance Corporation	3	MO
JPMorgan Chase & Co.	1	
MasterCard Worldwide	AM	
MBIA Insurance Corporation	AM	
McKinsey & Company	AM	
MetLife	AM	
MIGA	5	MO
Moelis & Company LLC	AM	
Moody's Corporation	AM	rating agency
Morgan Stanley	1	
New York City Economic Development Corporation	AM	
Northern Trust Company	3	
Oaktree Capital Management LP	AM	
Oliver Wyman	AM	
The PNC Financial Services Group	1	
PricewaterhouseCoopers LLP	AM	
Principal Financial Group	AM	
Promontory Financial Group, LLC	AM	
Prudential Financial	AM	
Putnam Investments	AM	
Rohatyn Group	AM	
Soros Fund Management	AM	
Standard & Poor's	AM	
State Street Corporation	1	
TIAA-CREF	AM	
Toyota Motor North America	AM	
Tudor Investment Corporation	AM	
Visa, Inc.	AM	
Warburg Pincus LLC	AM	
Wellington Management Company, LLP	AM	

Company (alphabetical per country)	*Status*	*notes*
United States (cont.)		
Wells Fargo	1	
World Bank Group	1	MO
Uruguay		
Banco Central del Uruguay	SP	
Venezuela		
Banco del Caribe	4	
Corporación Andina de Fomento	4	MO
Mercantil Servicios Financieros	4	

* Special Affiliates are on a separate list in the IIF 2012 Annual Review, though no qualifications are provided about their status. Special affiliates are not mentioned in the bylaws or anywhere else. Since members include mostly central banks and banking associations, it is assumed special affiliates have roughly the same privileges as Associate Members. They are therefore not included in any influence-related graphs, since they do not get to vote.

** Multilateral Organizations, like Special Affiliates, are listed separately in the 2012 Annual Review, though mentioned nowhere else. As with Special Affiliates, their membership status is assumed to be similar to the one specified for Associate Members in the bylaws.

*** The Irish Bank Resolution Corporation Ltd. was liquidated overnight by the government of Ireland on the night of februari 7th 2013[19]. For accuracy, the IRBC will not be factored into the dataset, even though every IIF source available still acknowledges their membership per December 31st 2012 (IIF 2012

**** There is no data on BANPRO's total assets; however, they are the largest bank in Niceragua. The second bank of the country (not a member) comes within a quarter billion USD of Group 4 membership, with a much smaller market share than BANPRO. Thus it is assumed BANPRO is in fact a member of this Group.

***** Though not officially listed as a special member, the Swedish Bankers' Association is not a bank but a joint effort by a number of Swedish banks. Since all other such organizations are in fact Special Affiliates, and no accurate data about the SBA's total assets is available online, it is assumed that like all organization like it, SBA is in fact a Special Affiliate of the IIF.

[19] http://www.oireachtas.ie/documents/bills28/bills/2013/913/b913d.pdf

APPENDIX B: IIF ASSOCIATE MEMBERS SPECIFIED

Company name	*Company type*
Export Finance and Insurance Corporation	Government of Australia
Future Fund	Government of Australia
MIMA Kapitalanlage AG	**Investment Bank**
Ithuba Capital AG	**Investment management**
Economic Development Board	Public Agency
Euroclear SA/NV	Custodian Bank
ONDD	Government of Belgium
Arch Capital Group Ltd.	**Insurance speculators**
BNDES	Development Bank
BTG Pactual	**Investment Bank**
Gávea Investimentos	**Investment Bank**
Vale	Mining Corporation
Caisse de dépôt et placement du Québec	Pension Fund
CPP Investment Board	Pension Fund
Manulife Financial	Insurance
OMERS Capital Markets	Pension Fund
Ontario Teachers Pension Plan	Pension Fund
Larrain Vial SA Corredora de Bolsa	Pension Fund
Agricultural Development Bank of China	Development Bank
China Galaxy Securities Company Limited	**Investment Bank**
China Huarong Asset Management Corporation	**Investment Bank**
China International Capital Corporation Limited	**Investment Bank**
China Life Insurance (Group) Company	Insurance
China UnionPay Co., Ltd.	Banking Cards
Ping An Insurance (Group) Company of China, Ltd.	Insurance
The Export-Import Bank of China	Government of China
MerchantBansa S.A.	**Investment bank association**
African Export-Import Bank	Var. Governments of Africa
Finnvera Plc.	Government of Finland
AXA Group	Insurance
Coface	Government of France
Lazard	**Investment Bank**
Allianz SE	**Financial Services**
Angermayer, Brumm & Lange	**Financial Services**
Euler Hermes	Credit Insurance
The Olayan Group	**Investment Bank**
Hong Kong Exchanges & Clearing Ltd.	Stock Exchange
Lim Advisors Limited	**Investment Group**
Aptivaa Consulting Solutions Ltd.	Consultancy
Export Credit Guarantee Corporation of India Ltd.	Government of India
Export-Import Bank of India	Government of India
Assicurazioni Generali S.p.A.	Insurance
Development Bank of Japan Inc.	Development Bank
Japan Bank for International Coordination	Government of Japan
Canon Institute for Global Studies	Research Institute
Mitsubishi Corporation	Trading Companies
Nippon Export and Investment Insurance Corporation (NEXI)	Government of Japan
Takata Corporation	Automotive Parts Corp.
Export-Import Bank of Korea	Government of S, Korea
Korea Center for International Finance	Trade promotion
Korea Finance Corporation	Government of S. Korea
Korea Investment Corporation	Government of S. Korea
Korea Trade Insurance Corporation	Government of S. Korea
Arab Fund for Economic and Social Development	Pan-Arabian Governments
Gulf Investment Corporation	Pan-Gulf Governments
Kuwait Financial Centre S.A.K. (Markaz)	Trade Promotion
Kuwait Investment Authority	Government of Kuwait
Banco Nacional de Comercio Exterior, S.N.C.	Government of Mexico
Reasugaradora Patria	Insurance
Sociedad Hipotecaria Federal, S.N.C.	Development Bank

Aegon N.V.	Insurance
Atradius Dutch State Business	Credit Insurance
Shell International BV	Oil Company
Muscat Insurance Company SAOC	Insurance
Qatar Financial Centre	Trade Promotion
Qatar First Investment Bank	**Investment Bank**
QInvest	**Investment Bank**
Islamic Corporation for the Development of the Private Sector	Development Bank
Jadwa Investment	**Stock Company**
The Saudi Fund for Development	Government of Saudi Arabia
Government of Singapore Investment Corporation	Government of Singapore
CESCE	Government of Spain
Iberdrola S.A.	Electric Company
EKN – ExportKreditnämnden	Government of Sweden
Aker International	Oil Company
Brevan Howard	**Hedge Fund**
Notenstein Private Bank	**Private Banking**
Partners Group	**Private Equity**
Pictet & Cie, Banquiers	**Private Banking**
Development Bank of Turkey	Development Bank
Eximbank of Turkey	Government of Turkey
Abraaj Capital	**Private Equity**
Dubai International Financial Center	Trade promotion
Fajr Capital	**Investment Firm**
Algebris Investments	**Hedge Fund**
Allen & Overy, LLP	Lawyers
Baring Asset Management	**Financial Service Dept.**
Clifford Chance LLP	Lawyers
KPMG	Accountancy
Lone Star Management Europe Ltd.	**Investment Firm**
Mazars	Accountancy
Millennium Global	**Investment Firm**
Newstate Partners LLP	Consultancy
White & Case LLP	Lawyers
American International Group	Insurance
Amici Capital, LLC	**Hedge Fund**
Bain & Company, Inc.	Consultants
BlackRock, Inc	**Investment Firm**
Bladex Asset Management	**Asset Management**
Bridgewater Associates, Inc.	**Investment Management**
CalPERS	Pension Fund
Capital Group International, Inc.	**Investment Management**
Chevron Corporation	Oil Company
Cleary, Gottlieb, Steen & Hamilton	Lawyers
CLS Bank International	US Government
Convexity Capital Management	**Hedge Fund**
Darby Overseas Investments, Limited	**Private Equity**
Debevoise & Plimpton LLP	Lawyers
Deloitte	Accountancy
Ernst & Young	Accountancy
Export-Import Bank of the United States	Government of the USA
Fidelity Management & Research Co.	**Investment Management**
Fitch Ratings	Rating agency
Franklin Templeton Companies, LLC	Finances Company
Galileo Global Advisors	Consultancy
General Electric Company	Electric Company
Greylock Capital Management, LLC	Venture Capital Firm
Houlihan Lokey	**Investment Banking**
International Business Machines Corp. (IBM)	Computer Company
MasterCard Worldwide	Credit Card Company
MBIA Insurance Corporation	Insurance
McKinsey & Company	Consultancy
MetLife	Insurance
Moelis & Company LLC	**Financial Services**
Moody's Corporation	Rating Agency

New York City Economic Development Corporation	Trade Promotion
Oaktree Capital Management LP	**Asset Management**
Oliver Wyman	Consultancy
PricewaterhouseCoopers LLP	Accountancy
Principal Financial Group	**Investment Management**
Promontory Financial Group, LLC	Consultancy
Prudential Financial	Insurance
Putnam Investments	**Investment Management**
Rohatyn Group	**Hedge Fund**
Soros Fund Management	**Hedge Fund**
Standard & Poor's	Rating Agency
TIAA-CREF	Pension Fund
Toyota Motor North America	Car Company
Tudor Investment Corporation	**Hedge Fund**
Visa, Inc.	Credit Card Company
Warburg Pincus LLC	**Private Equity**
Wellington Management Company, LLP	Consultancy

TOTAL: 142 Associate members (42 financial companies)

APPENDIX C: DIRECTORIAL PROVENANCE

Data gathered from the IIF Annual Review of 2012 (IIF 2013b: 6-7), Group membership determined in accordance with the IIF Bylaws (IIF 2013a: 11).

From Member	*Group*	*Continent*	*Country*
HSBC Holdings plc	1	Europe	UK
Itaú Unibanco S/A	1	South America	Brazil
Swiss Re Ltd.	1	Europe	Switzerland
Scotiabank	1	North America	Canada
SEB	1	Europe	Sweden
Citigroup	1	North America	USA
Commerzbank AG	1	Europe	Germany
Arab African International Bank	4	Africa	Egypt
Institute of International Finance	other	North America	USA
Goldman Sachs Group, Inc.	1	North America	USA
Banco de Crédito del Perú	4	South America	Peru
KB Financial Group	1	Asia	S. Korea
Agricultural Bank of China	1	Asia	China PR
National Bank of Kuwait	3	Asia	Kuwait
UniCredit S.p.A.	1	Europe	Italy
Barclays plc	1	Europe	UK
Akbank T.A.S.	3	Asia	Turkey
BBVA	1	Europe	Spain
Ind. & Comm. Bank of China	1	Asia	China PR
Standard Chartered PLC	1	Europe	UK
Mizuho Financial Group	1	Asia	Japan
ICICI Bank Ltd.	1	Asia	India
Morgan Stanley	1	North America	USA
DBS Group Holdings & Bank	2	Asia	Singapore
Standard Bank Group Ltd.	2	Africa	South Africa
Zurich Insurance Group	1	Europe	Switzerland
BNY Mellon	1	North America	USA
Sumitomo Mitsui Financial Group	1	Asia	Japan
AUS & NZ Banking Group Ltd.	1	Australia	Australia
Erste Group Bank AG	1	Europe	Austria
Sociéte Générale	1	Europe	France
Bank of Tokyo-Mitsubishi UFJ	1	Asia	Japan
ING Group	1	Europe	Netherlands
BNP Paribas	1	Europe	France
UBS AG	1	Europe	Switzerland
Crédit Suisse AG	1	Europe	Switzerland
Deutsche Bank AG	1	Europe	Germany
Board counsel			
American Enterprise Institute	other	North America	USA