



Interview with Michael Bagley, Principle of The OSINT Group

Eurekahedge

Washington DC has become the de facto financial centre of the world in this global economic crisis. There has been a quasi-transfer of power from New York to Washington. A similar dynamic is unfolding elsewhere: economic power has shifted from Shanghai to Beijing, from Mumbai to New Delhi, and from Dubai to Abu Dhabi.

In both developed and developing countries, domestic political factors will drive the performance of national and international markets. As a result, the use of “political intelligence” by global financial institutions is quickly becoming an important factor to asset portfolio managers across all sectors.

The OSINT Group, a boutique private intelligence firm based in Washington DC, was established in 2007 to assist government sector and commercial clients in the energy and financial industries with unique “open source” intelligence collection and delivery. In addition to technology used by the US Intelligence Community, the firm uses its network of relationships and personal connections in Washington to gather “political intelligence” for international clients who need to better understand how and why the US government will influence the international marketplace.

1. What exactly is open source intelligence and “political intelligence?”

Open Source Intelligence – also known as “OSINT” in the language of the US Intelligence Community – is information that can be collected and analysed from a variety of publicly available sources, or “open” sources. This includes speeches, newspapers, television and radio broadcasts, newswires and the Internet.

“Political Intelligence” refers to policy or legislative information that is potentially market-moving, is non-public or not easily accessible to the public, and is gathered and shared with interested parties by firms with access to such information. It is utilised by those whose businesses depend upon knowledge of upcoming legislative decisions that will impact financial markets and various industries.

Political intelligence firms that have special relationships with government officials can obtain non-public legislative information or learn about pending legislative decisions by attending lobbying sessions, having private meetings with lawmakers, or communicating directly with lobbyists and Congressional staff.

2. How does political intelligence benefit institutional investors in their business model?

Companies and investors who think they don’t need to worry about “extreme” events or, especially when it comes to politics, that it isn’t worth analysing risks that don’t neatly fit into standard statistical models, are missing a vitally important component to asset management: Every day in Washington and within government institutions around the globe, decisions are being made that affect the prospects and profitability of individual companies and entire industries. Factoring in “political intelligence” is now an ever more important aspect of asset management.

For example, 2009 will witness outbreaks of geopolitical problems that will involve Iran and Pakistan while problems continue in Iraq and Afghanistan. Outbreaks of pandemic disease like the “swine flu” and SARS become an international market issue. Earlier in 2008, the US government began taking a new leading role in the US financial marketplace and new financial legislation and regulatory reform will become an issue for the international marketplace.



3. How does the international financial industry fit into this scenario, particularly with respect to Washington?

The international financial industry is at the centre of the storm with investment and political worlds both in the midst of a sea change. Higher levels of regulation are in the works, and many of the institutions, which are at the forefront of this activity, are located here. The Federal Reserve, the US Treasury Department, the US Congress, the IMF and the World Bank are all based in Washington. For the last year or so, Wall Street has been getting its marching orders from Washington, and that seems likely to remain the status quo for a period of time.

4. What are some of the political risks that may stem from the current global financial crisis?

Governments around the world are using stimulus packages, direct intervention in financial institutions, and regulatory reforms to deepen their direct involvement in domestic economies. Detailed understanding of the motives and incentives that guide political officials and lawmakers as they make decisions on economic policy will help forecast how this crisis will separate winners from losers. After all, some companies, industries, investors and governments will benefit from this situation – at least relative to others.

5. Wall Street is the centre for the financial firms in New York. K Street is centre for the lobbying firms in Washington. What is the difference between “lobbying” and political intelligence?

Political intelligence firms are not looking to influence legislation on behalf of clients, but rather to provide unique “monitoring” of information through personal relationships and news gathering. Clients consider it an “internal intelligence centre.” Additionally, as a point of interest for hedge funds and private equity groups, political intelligence firms are not required to disclose who their clients are or what their annual revenues are. This gives those clients an extra layer of confidentiality and privacy.

6. Describe the background of the people that work with The OSINT Group.

Our team consists of political intelligence strategists, former Capitol Hill aides, former government and military intelligence operatives and business intelligence experts from the private sector. In this complex and changing world, intelligence is power and we offer clients power to access information that gives them a competitive advantage in the marketplace.

7. How is “political intelligence” delivered to your clients?

We make it very easy: We are available to clients directly by phone at all times; we send important breaking news and detailed reports via email; we also just signed up to utilise Twitter so clients can follow us @TheOSINTGroup to keep informed with “real-time” updates on important financial news and events taking place in Washington. We also create and deliver any other customised business intelligence analysis that a client may require.

8. Your fee structure is quite different from other firms in Washington that offer political intelligence as a service to their clients. Can you explain your pricing strategy and how it is so different?

Well, there are certainly other companies that offer political intelligence to their clients. However, they are either lobbying firms or law firms so they have very expensive overhead and a large number of staff on the payroll to support.



We borrowed our model from the fractional jet ownership and real estate time share industries because it offers the best value for our clients. Our clients only pay for information – not overhead – and we focus on political intelligence – the information – as opposed to lobbying or influencing legislation.

9. Do you think that in the past couple of months, as the markets went haywire, the discussion in Washington has already become too narrow? Are lawmakers on Capitol Hill missing the biggest issues?

I think right now the policymakers are struggling with two deeply intertwined questions. First, what are the right regulations? And second, how to talk about them. We are in a moment of transition and the story and the approach have not yet become clear. Already in May, there have been initial congressional hearings on the topics of SEC regulation and Hedge Fund registration. The rules and the laws will take some time to develop but the train has left the station and the game will be changing somewhat, but when we're talking about systemic risk regulation, the questions being posed are: How are they going to measure it? Who is going to measure it? What are they going to use for criteria? What's going to be included within it?

10. What developments do you see ahead for the US and international markets over the next three years?

Well, generally speaking, of course, nobody knows the exact impact of unprecedented bailout and stimulation packages here in the US except that we believe with quantitative easing, hyperinflation is on its way at USDX .8200 which will continue to drive the price of the US dollar down and continue to drive the price of gold up.

Internationally, Pakistan goes Taliban; tensions in the Middle East gets even hotter with respect to Israel and Turkey; and political risk becomes a growing concern for investors in the US as the government plays a larger and more controversial role in private enterprise because of the financial crisis.

For these and many other geopolitical, military and economic reasons, political intelligence firms are no longer a luxury, but a necessity in asset allocation and portfolio management.

Contact Details

Michael Bagley
The OSINT Group
Washington DC
+1 202 270 3647
mbagley@TheOSINTGroup.com
www.TheOSINTGroup.com

