



Annual European Financial Services Conference

20 February, Brussels

Antony Jenkins' speech

1. Distinguished ladies and gentlemen, Commissioner Barnier, Vice-President Constancio, it is a pleasure to be here in Brussels this morning.
2. Barclays is delighted to be co-hosting the Annual European Financial Services Conference, which has now reached its 12th birthday.
3. Back when this event was founded, it was the only annual gathering of its kind in Brussels - a sign of the different times.
4. More than a decade on, the world has changed. That hardly needs to be said.
5. But I worry we underestimate just how fundamental that change is.
 - In many parts of the world we are seeing encouraging economic news
 - And we have made real headway on issues like bank stability.
6. **BUT** we must not waste the crisis, by believing that because circumstances are improving, we can slow our focus on reform.
7. There is a saying that “A crisis hits when the last person to remember the previous one retires.” Unless we meet our challenges head on, we won’t even need to wait as long as that.
8. That is why events like today which bring together industry, Government and academia are so important. They are a forum for us to remind ourselves that the work is only half done, and for us to show leadership.
9. In that context, I would like to suggest three areas relevant to your discussions today
 - **First** – Completing regulatory reform.
 - **Second** – Cultural reform within my own industry; and
 - **Third** – Building sustainable long term growth across Europe.
10. By addressing these issues we can make a major contribution to the future of the global economy.

11. I should start by thanking everyone who has been involved in the Financial Services reform effort for their hard work.
12. The spirit of partnership and collaboration has helped to significantly improve the safety of our financial system.
13. We are now much more resilient - with radically improved standards of capital, and liquidity and leverage.
14. And we can also be confident that we are on the path to our banks being resolvable. Barclays has led the way, with Recovery and Resolution plans submitted early to authorities on both sides of the Atlantic.
15. Commissioner Barnier and his colleagues should be congratulated for the political agreement on the Bank Recovery and Resolution Directive.
16. It is an important step forward, towards making sure a bank can fail without systemic contagion, or recourse to the taxpayer.
17. That should be the primary purpose of any structural reform - to improve resolvability.
18. The rules we design here in the heart of Europe must accommodate strong, targeted rules at national level, to ensure banks can be wound down without impacting the customer or the economy.
19. After all, the economies vary from country to country – which means the risks vary as well.
20. The rules should also accommodate different approaches to resolution and structure.
21. One size will not fit all.
22. Just as we need more than one banking model.

23. It is vital that we avoid penalising the proud tradition of universal banking in Europe, a key source of our competitive strength.
24. Universal banks are important to the financial system, and are diversifiers, not aggregators, of risk.
25. Of course the launch of the banking union project has also been important for restoring confidence in the European banking system. We have made significant progress in a short time, and we need to push forward just as fast.
26. Underlying all of this is the fundamental importance of making the financial system safer - and accepting that banks should meet the costs of future crises, not taxpayers.
27. We believe we have to take responsibility for our own safety, and for the consequences of our actions.
28. Implementing these changes will take at least till the end of the decade.
29. But with the European Parliament elections and a new Commission, 2014 also offers a natural inflection point, to take stock of what has been achieved and to think about where we go next. We should take the opportunity:
 - To check our new regulatory framework is coherent;
 - That it is internationally consistent and that we have the ability to respond globally to crises;
 - And to make sure that once economic stability is restored and maintained, we have a system that can look to the future and deliver sustainable growth.
30. Of course, in the midst of this regulatory activity, we must not forget the importance of cultural reform from within.
31. There is no question banks became too short-term focussed, too self-serving, and too aggressive, and paid too little attention to the broader social context in which we operate.
32. Let me say here in Brussels what I have said elsewhere: We get it.

33. The world has changed, the industry must change, there is no going back to the way things were.
34. We at Barclays are in the middle of a root and branch change to the way we do business, the way we interact with wider society and the markets in which we operate.
35. I am determined that Barclays will show leadership.
36. We will take the decisions necessary to focus our institution on the long term and onto our responsibilities to society, in every country in which we operate.
37. This brings me to my final theme; building sustainable and long term growth across Europe.
38. Europe and most of the West face a number of interconnected challenges.
39. We have:
 - Major trade imbalances
 - Significant unfunded social costs
 - A youth unemployment crisis; and
 - A continuing over-reliance on traditional lending as a way of funding economic growth.
40. Growth is a good thing – we need it to meet our social obligations, and our ambitions for the future.
 - A report released by Barclays and the Economist Intelligence Unit, copies of which are outside this auditorium, shows that European countries like France and the UK have the highest proportion of over 65s in their population, with fewer young people replacing them in the workforce.
 - And over 75 million young people are now unemployed globally, with some of the highest rates found in developed countries.
41. Innovation drives growth – the discovery of electricity, global travel and the internet all generated GDP.
42. But there is no doubt that in much of the world, our growth model has been unsustainable.

43. Too often, we relied on excessive leverage, whether in the housing market or as the mechanism for funding businesses, to create a short term and volatile illusion of prosperity.
44. Take the example of small businesses. In Europe, 99 per cent of our 23 million businesses are SMEs.
45. They are our economy's cornerstone employers.
46. But despite a relentless focus on SMEs from banks and policymakers alike over the past few years, we have seen comparatively little change in either the number of businesses or in their size.
47. Barclays recently partnered with think-tank Demos to think more deeply about business growth. The work has showed clearly that rather than just thinking small, we should think growth.
48. In fact, there is very little relationship between the size of a business and whether or not it is likely to grow significantly.
49. Supporting small businesses and supporting growth businesses are two equally important, but entirely separate challenges.
50. But our focus on SME finance hasn't always been matched by our attention to growth funding.
51. For an investor, growth potential very often means risk.
52. A high potential entrepreneur with an exciting new technology, or a longstanding manufacturer who has identified a potential major new market overseas may well need significant investment without any real certainty of success.
53. Bank lending is an imperfect mechanism for this.
54. Our business model is to lend the savings of our depositors. That is a serious responsibility.

55. We cannot - should not - use that money to take major equity-like risks, even if we believe that an investment has significant potential.
56. We support over 110,000 start-ups a year, by providing current accounts, support and in some instances, lending.
57. But we do not take on ownership risks.
58. It is a question of asset structure. A business might take several years to bring an innovation to market, without the revenues needed to meet interest payments, and with real downside risk.
59. What is needed is long term, patient capital which is able to absorb these risks by benefitting from any potential upside.
60. This isn't a problem unique to the high tech innovators we often have in mind when we talk about non-bank finance.
61. It is also true for any company who wants to significantly increase in scale or change direction to take advantage of a new market opportunity here or overseas.
62. If we enable these companies to reach their full potential, the economy as a whole benefits.
63. This is the fundamental gap in the European economy.
64. You may be aware that in the United States, 80 per cent of business finance comes from non-bank sources.
65. In Europe it is only 20%.

66. Commissioner Barnier launched an important debate on long-term investment issues, which is very welcome. Getting a better balance between bank and non-bank finance is a key challenge for Europe going forward.
67. I am not raising this because I want to deflect attention from our own performance.
68. By September, we had already agreed to lend more to small firms than in the whole of 2012.
69. I am raising it because I believe that we need to focus as much energy on addressing the growth finance gap as making sure traditional lending remains strong.
70. The future of our economy isn't only a question about strengthening the traditional lending markets.
71. It is a question of building a deep, diverse and accessible funding environment every bit as exceptional as the businesses it serves.
72. Our business customers often tell us that finding talented and work-ready staff is an even more significant challenge than attracting finance.
73. Across the globe, we have a clear youth unemployment crisis.
74. I know that Governments across the continent are working to solve this apparent failure of the jobs market.
75. And we are doing our part at Barclays.
76. We have a major apprenticeships programme, looking to recruit 2,000 apprentices by 2015. We have over 1,000 already working in the Bank. 86% of these were not in employment, education or training prior to joining us and 76% were previously on benefits.
77. We are also working to help smaller businesses to hire apprentices themselves.

78. In Europe, we have a unique global advantage – the strength of the Single Market.
79. It is a huge resource, to support the growth agenda. It is the world's largest and most highly integrated trade area, even though it is not yet complete.
80. And the Single Market for financial services, is of course one of the most integrated areas. It is a key factor in the success of the EU's financial centres, and of considerable value to the EU economy.
81. It is in Europe's and in the UK's interest to continue reforms to improve and complete the market for wholesale financial services.
- I say wholesale markets, as the case for EU action in the field of retail financial services is less clear cut.
 - Wholesale markets should be global, and the EU should seek international standards, which provide a level playing field for EU headquartered institutions to compete.
82. The Single Market can provide an incredible hub of international competitiveness as it looks outwards to Asia, to an increasingly strong Africa, and to deepening our trade relationship with the United States.
- A Transatlantic Trade and Investment Partnership, including financial services, can help provide the engine of growth for the generations to come.

83. I have identified three significant areas of reform for us to consider today – financial regulation, bank culture and long termism in our economy.
84. This is a real opportunity today to bring together Government, industry and academia to push forward our thinking and to show leadership. I know you will share my determination to meet these challenges together.
85. Thank you very much.