

**15th Annual European Financial Services Conference – Brussels 7
February 2017**

Thank you Commission Vice-President Dombrovskis.

I am delighted to be in Brussels this morning. It is a city that I lived in for a period of time as I developed my career in banking. I always enjoy coming back: there is much that is familiar to me and, of course, there is much that has changed. Certainly this wonderful venue that hosts us this morning has sprung up is just one example.

As everyone in this room will be acutely aware, we are currently in a period of significant change. With change comes great uncertainty and, of course, many challenges, but also some fabulous opportunities. I am an optimist after all!

I would like to talk for the next few minutes about some of the significant changes we are all experiencing. I will then focus most of the

time I have with you on the subject closest to my heart: change in the consumer environment and the resulting changes in banking.

I would submit that we are experiencing significant change in four broad areas, or 'environments' as I define them:

- I. **First, the economic environment** – The financial crisis was the first great crisis of globalisation. Risk was misunderstood and so mispriced, while consumers, institutions, and nation states were over-leveraged. I don't need to go over what everyone here knows, but it is worth re-stating that economic and financial systems have changed fundamentally since the crisis. Some imbalances and distortions remain, some new ones have been created, but a huge programme of reform was also initiated which brings me to the second...

II. **...The regulatory environment** – We have seen the international regulatory community come together impressively since the financial crisis – as we saw through the G20 - with the result that financial institutions are vastly more stable than pre-crisis. There is a need for harmony in global regulation. Regulatory arbitrage will only lead to bad outcomes.

Some countries have taken additional action to the measures agreed internationally. One of the most significant reforms affecting banks in the UK is Vickers' ring-fencing. This is an enormous operational challenge, but one that Barclays has embraced and are progressing well with.

For Barclays, we have legal, governance, and technology changes that need to occur but for our customers, clients, and other external stakeholders, Barclays UK already operates as a stand-alone business whilst still being connected through partnership with our transatlantic Corporate and Investment Bank. We already have experience of this with our US business.

III. Third, the political environment – If the financial crisis was the first great economic crisis of globalisation, we are now seeing the political effects work their way through.

Disengaged communities across Europe and across the world are making their voices heard. This is a challenge for politicians, but it is also a challenge for all of us – nobody can afford to become disengaged from wider society.

The required actions from the industry to these challenges include, but are not limited to, the need to repair trust with the communities we operate in, and to help ensure everyone is brought on the journey to create prosperity.

If major political, or economic, challenges are to be overcome, international coordination will be crucial – this is certainly the case if we are to secure flows of capital. The importance of shared rules to creating a safer economy should not be forgotten as we work our way through the political challenges in 2017, foremost amongst them Brexit.

There is also the risk that the US becomes insular and, whilst we don't know what the implications of executive order for a review of the Dodd-Frank act, this could place the UK and rest of Europe under pressure?

IV. The fourth and final environment that is undergoing change is the **consumer environment**. I would make two observations here: the range of challenges facing those only just making ends meet are growing in these uncertain times; and also customers are becoming more sophisticated in their needs. Expectations have grown. It is really on this second point that I would like to focus the rest of my comments today, and this leads me back on to a topic closer to home for me... banking.

I told you earlier that I am an optimist. Despite the many challenges we face, the great trend we are seeing – in the way consumers and businesses interact with providers of products and services and through becoming more sophisticated – could be described as

democratisation. Let me delve into this a little more deeply. I think there are several forces at play:

I. Democratisation of information – everyone has access to information; it is no longer just in the hands of the few. One manifestation of this is that customers can easily find the best deal for them. Another is the growth of false news or partly true information misleading readers for financial, political or other gain.

II. Democratisation of geography– you can start a business in a garage, but still think and act globally. I talk to small business clients who don't consider that they engage in international trade even though they sell products overseas – this upsets me! You don't need to be taking regular business class flights to Shanghai to be an effective international trader.

Interestingly globalisation was initially driven by governments,

but is now being led by businesses. And businesses of all shapes and sizes.

III. Democratisation of scale: Think about information kept in the cloud (and how Amazon has taken the lead with AWS) – a business no longer needs a warehouse full of servers and technology; they can get scale at pace. Large capital investment made this difficult in the past, today that is no longer true.

IV. Democratisation of connectedness – people are connecting / interacting with others in completely different – and rapidly evolving – ways; so companies now have to respond to queries on social media and respond to these at speed or you quickly demonstrate yourself to be disengaged and archaic. Everyone knows about Uber, but their app is just at the centre of a broader ecosystem. The app means that the driver and

customer are connected seamlessly, but there is an enormous amount that neither need to see to ensure the payments and car coordination algorithms work well.

So what does this all mean for consumers in banking? Whilst recognising that there are start-ups, fintechs, that have no legacy systems, and can use the latest in technology to “eat our lunch”... banks like Barclays already have scale, we already have geography and we have all the information we need. So now it’s a matter of connectedness – which is the fundamental core of our strategy at Barclays UK.

We also still have ‘consumer’ trust – even while corporate reputations took a battering in the economic crisis, people still trust their banks with their money. This does not mean

we can lose focus on continuing to rebuild our trust and reputation.

The ultimate examples of connectedness in this digital age can be expressed through the policy issues around Big Data including data privacy and Open Banking...

Banking for the digital generation must have the customer at its heart, responding effortlessly and fast to the consumer's experiences and preferences to shape their products and services.

This is driven by big data. This not only helps to improve current business processes, but also to create personalised, relevant value-added products and services based on data analytics. For example, we can instantly generate reports based on a small business customer's transactions to help them understand trends and opportunities.

Secure data sharing and data portability within, and across, sectors will define the future of banking. That is why we actively support the development of Open Banking standards in the UK. This grants third parties direct access to banking data through the use of open APIs (with consent), and gives us the reassurance that they comply with common security standards.

Open Banking won't just benefit banks and their customers. It will be a major driver of competition. It will lower the barriers for FinTech players to scale up and develop innovative services to the benefit of customers, ranging from payment initiation services to financial advisory and accounting software services for SMEs.

PSD2 has also heralded a move towards open banking, where secure sharing of payers' account data is central. However, more remains to be done. The decision to standardise banks' interfaces for third parties at EU level and promote the use of open APIs is essential, not only to allow for greater data sharing between banks and FinTech players, but also, in time, across sectors.

There are challenges – we are seeing the threat from fraudsters and scammers rapidly increase – an issue where we are passionate about doing everything we can to protect our customers – wherever possible through education and empowerment - I am proud that Barclays was the first to use television advertising to alert consumers to risks. It is critical that policymakers and industry work together to overcome the

challenges whilst still ensuring that consumers can be fully empowered through their data.

The good news on the policy challenges is that Europe is ahead of the game: we are leading the way with both regulation and innovation, but we have to work hard to stay ahead. I truly believe we need a set of standards / governance across the industry and across borders to ensure we stay in control and protect our customers.

In this new world, companies including banks will need to change but so will the regulators. Take technology, regulators will need to determine whom they give permission to and for what.

So, in conclusion: We have to stand together and change together.

These are uncertain times but this is not the post-crisis world of financial services where everything was a problem that needed fixing.

This is a time where challenges remain and new challenges will

undoubtedly appear, and opportunities are there to be taken. If we work together, industry and policy makers, and across borders, and if we are innovative and responsive (rather than restrictive) then change is there to be embraced.

So, thank you again to the Commissioner for addressing us this morning. I look forward to stimulating debates over the rest of the day on the future of our industry.

I for one look forward with excitement and confidence.

Thank you.