

## Treasury Committee

### Oral evidence: [The appointment of Antony Jenkins to the Prudential Regulation Committee, HC 1157](#)

Wednesday 13 January 2021

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Members present: Mel Stride (Chair); Harriett Baldwin; Felicity Buchan; Mike Hill; Julie Marson; Siobhain McDonagh.

Questions 1 - 45

Witness

I: Antony Jenkins, Appointee as External Member, Prudential Regulation Committee.



## Examination of witness

Witness: Antony Jenkins.

Q1 **Chair:** Good afternoon and welcome to the Treasury Committee inquiry and evidence session into the appointment of Antony Jenkins and John Taylor to the Prudential Regulation Committee. In terms of the structure of this session today, we will be spending up to one hour asking questions of Antony Jenkins and then we will move on, at 3.30 or perhaps a bit earlier, to asking up to an hour's worth of questions to John Taylor. Thereafter, the Committee will go into private session to deliberate and issue the report on these two appointments.

Antony, welcome to the Committee. Thank you for attending this afternoon. Thank you also for completing the very extensive questionnaire that we put to you a little while ago. You have a lot of interests. You have a lot of things you are doing outside of this role. You are, for example, a member of the main board of Fannie Mae, director of Blockchain, founder and executive chairman of 10x Future Technologies, chairman of Currencies Direct and chair of the Institute for Apprenticeships and Technical Education. That sounds like a very large time commitment across all those different activities. What sort of time do you envisage, if you could perhaps quantify it as days per week, or number of days per quarter? What number of days would you be expecting to contribute to this new role, if you were to take it up?

**Antony Jenkins:** I am very pleased to be able to appear before you all this afternoon. I have obviously given some considerable thought to the time commitment here. It is one of my principles that I do not want to take on something that I would not have the time to do properly.

You will note on there my chairmanship of the Institute for Apprenticeships and Technical Education. I have actually resigned from that role. I have been doing it for almost five years and I believed it was the right time for me to step down and allow a new chair to be appointed for the next stage of the journey of that organisation. That has been quite time-consuming for me, because we basically set it up from scratch, first in shadow form and then in full form from April 2017. That in itself allows me some flexibility in my calendar. The public appointment process has started for my successor in that organisation. The appointment will be made in the early summer.

My expectation is that this role will take at least a day a week, possibly more, and I am confident I can accommodate that inside my other activities, some of which I would expect also to roll off in the course of 2021.

Q2 **Chair:** Were you given any guidance as to how much time the role would be expected to take? Has anybody provided you with that?

**Antony Jenkins:** Yes, and it was in that sort of ballpark: one to two days a week.



Q3 **Chair:** I believe in 2018 there was a PRC candidate pack published, which may be the last time there was such a document published. That suggested the time commitment would be about 26 days a quarter, a little under half of weekdays, which would suggest something around two to three days a week. Were you familiar with that particular document or any other version of it that there may be?

**Antony Jenkins:** That was the sort of ballpark of time commitment that was indicated to me through the appointment discussions that I had. With these roles, I have found that it tends not to be a regular cadence of two days a week. Sometimes it could be four days a week. Sometimes it could be one day a week. It depends on what the work of the committee is at any point in time. As I said before, I would expect to have the time to do this properly, otherwise I would not have put myself forward.

Q4 **Chair:** I appreciate that and I know you are acting entirely in good faith. That is what you have been told and that is accepted. If it was not one to two days a week and it ended up being, as I think this document might be suggesting, more like two to three days on average, albeit that it could be a lumpy commitment, as you have described, would that be an issue, if it were actually rather more time than perhaps you initially imagined?

**Antony Jenkins:** If it became more than three days a week, that would be a challenge. If it was in the window we have been discussing, that is manageable, from my perspective.

Q5 **Chair:** Okay, so that is up to three days a week. Thank you. In terms of the actual roles you are carrying out at the moment and your interests, particularly I am thinking of 10xFuture Technologies, in your questionnaire you identified technology as a risk to the safety and soundness of PRA-regulated firms. You argued that the industry can only address the issue "by moving on to modern technology such that it can serve customers better". As the founder and executive chair of 10x Future Technologies group, which I understand sells cloud-native technology platforms to "enable our client banks to engage their customers with more timely, relevant and personalised experiences", do you think there is a conflict of interest there, in terms of what your role would entail and what you are doing with 10x Future Technologies group? That is particularly in light of what I think is a perfectly reasonable answer you have given in the questionnaire.

**Antony Jenkins:** I actually think that the expertise I have gained in building this business from scratch over the last coming up for five years is very valuable in the role I am about to perform. It is not only valuable because, as I have cited, technology is one of the biggest challenges for the industry, but also, frankly, one of its greatest opportunities. I have also gained experience as an entrepreneur, somebody who started a business from nothing and now employs directly and indirectly 600 people. That is a valuable perspective to bring, along with my more traditional big company experience.



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Turning to the question of conflict, obviously I have explored this extensively with the appropriate people in the Bank. I do not believe there is an inherent conflict here, although some of the banks we serve are regulated by the PRC. The issue of technology is a very broad one, but it is one of many elements in the question of safety and soundness for any given institution at the micro level. Of course, much of what the PRC is concerned about is also macro issues to do with safety and soundness. However, were a specific issue to occur, I would of course recuse myself from any discussions regarding a particular institution where there was a potential conflict.

**Q6 Chair:** In these discussions you had with the Bank on this issue, were there any concerns raised with you other than just simply finding out what the situation was and accepting that it all seemed fine. Did anybody at any point say, "Actually, we are a little bit uncomfortable about this"?

**Antony Jenkins:** We had an extensive conversation, which was, frankly, designed to get both of us comfortable that this was achievable. I do not want to be in a position, nor would I want to put the Bank, the PRA or the PRC in a position, of either a conflict or a perceived conflict, both of which are important. We explored this topic fully. Certainly from my side, I am comfortable that there is not an inherent conflict. Were a conflict to arise, it could be dealt with through recusal. I have been led to believe in my discussions that this occurs from time to time in the work of the PRC, that a specific topic will come up and occasionally a committee member will need to recuse themselves. It is something that is manageable, but something that I am very sensitive to, because obviously conflicts are important.

**Q7 Chair:** Outside of 10x Future Technologies, were any of the other interests that you have discussed specifically with the Bank in the same kind of way? I assume you would have shareholdings, for example, in Barclays, given your previous role there. Could you comment on that for us, please?

**Antony Jenkins:** Yes, you are correct. I still hold some shares in Barclays and we discussed how that would be handled. Clearly, I will not be acquiring shares in any more institutions regulated by the PRA—banks, insurance companies or otherwise. For the holdings I have, should I choose to dispose of them, that would be done through the normal trading windows permitted by the Bank and with the full prior knowledge and consent of the Bank. I am aware that would have to be dealt with in the appropriate fashion.

**Q8 Chair:** In your discussions with the Bank on any of these other interests, is it the case that the Bank were fully satisfied, in your opinion, that the ability to recuse yourself from certain decisions and discussions was in itself adequate to deal with these potential conflicts.

**Antony Jenkins:** Yes, that is my understanding.

**Q9 Chair:** You used the expression about members occasionally recusing



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themselves. Say you found yourself in a position where you had to quite frequently recuse yourself from meetings and decisions, et cetera, what would your thinking be at that point? How would you be responding to that?

**Antony Jenkins:** My motivation for joining the committee is to be able to make a contribution and to, frankly, serve in some way my country, just as I have done through the chairmanship of the Institute for Apprenticeships and Technical Education. I have benefited greatly from all the advantages of being born and raised in this country, and I feel the strong need to do something in return. If I felt at any point that my ability to do that was compromised, for example because of the number of recusals I would have to make, clearly I would reconsider my position on the committee. As I mentioned earlier, on both sides we are comfortable at this point that any recusals would be infrequent and limited.

Q10 **Chair:** If we took your shareholding in Barclays, some might say, "Surely a lot of the decisions that would be taken by the PRA and the committee would be expected to have some kind of impact on the situation where an individual has a substantial shareholding, by value at least, in a bank like Barclays".

**Antony Jenkins:** My view would be, if and when I decide to sell those shares, that would have to be done with the full knowledge and approval of the Bank in a way and at a time where there was no perceived or actual conflict in that process. Again, we have discussed the mechanisms for that. Frankly, it is a historical matter. I have owned these shares from the time I was at Barclays. As the Committee will be well aware, chief executives and other senior managers are required to hold shares for long periods of time. It is a historical matter more than anything else. If I chose to sell them or decided it was time to sell them for my own personal financial planning point of view, that would be done with the full knowledge and approval of the Bank.

Q11 **Chair:** Would you not accept that, in terms of potential conflict, it would not just be about the timing and nature of the disposal of the shares, but also that decisions might be taken that could affect the bank and its performance and therefore the value of that shareholding.

**Antony Jenkins:** It is conceivable that might be the case. Again, there is no circumstance in which my decisions or input on the committee would be influenced in any way by that.

Q12 **Felicity Buchan:** I have a follow-on question on your Barclays holding. You mentioned the fact that, at the point of sale, you would talk to the Bank. Do you have other connections and interests with Barclays that could affect your independence at the PRA? Clearly you worked there for a long period of time.

**Antony Jenkins:** No. I do not have any, other than membership of pension schemes and so on, which I suppose could conceivably be



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affected by that in some distant way. The honest answer is no. There is no other connection.

Q13 **Felicity Buchan:** You are not in ongoing close contact with senior management there.

**Antony Jenkins:** No.

Q14 **Felicity Buchan:** Staying on your period at Barclays, what lessons have you learnt as chief executive of Barclays that you will draw upon at the PRA?

**Antony Jenkins:** I spent a decade at Barclays, the last three years of which were in the role of chief executive. Prior to that, I had spent 17 years at Citigroup, including 13 years in New York City. I learned many lessons. I am afraid it could be a rather lengthy answer to your question. I suppose the first thing is that a bank is a highly leveraged organisation. When you begin your career in banking, people always talk to you about leverage and gearing, and the importance of managing gearing. Banks are the most levered organisations of all. Safety and soundness becomes incredibly important, and particularly capital levels.

At the time I became chief executive, the bank's balance sheet was quite weak in terms of capital and we had to spend a lot of time rebuilding that. That is extremely important and remains important. I am a strong believer in strong levels of capital within banks. Also, related to that, leverage ratio is incredibly important because, although risk-weighted asset approaches have their value, you also need to look at things in absolute terms. The first thing I would say is that the safety and soundness becomes incredibly important.

The second thing is that banks are there to serve their customers. They need to do that and they need to do that in a way that is not only providing products and services that are valuable and useful, but also fairly priced. Those need to be delivered, whether that is a retail customer or a large corporate doing business with a bank or financial institution.

The third thing is about the importance of leadership and culture in driving the standards of the bank. There has been a lot of very good work done, both on the prudential side and the conduct side of regulation of the industry post the crisis of 2008. That is only a set of measures to defend a situation. The bank itself must be responsible for its own conduct and the leadership of the bank must be responsible for its own conduct. Those things are very important and that is about making sure very large organisations have not only the right culture and leadership, but also the right protective and detective controls.

Q15 **Felicity Buchan:** What is your current view of the general culture of the banking industry in the UK?



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**Antony Jenkins:** I have been out of the industry directly for five years, so everything I am going to say is from somewhat of a distance. A lot of work has been done on the issue of culture within the industry. A lot of work has been done to acknowledge that part of the problems of 2008 were the product of poor and weak culture across the industry. That is bolstered by some of the regulatory actions, particularly around things like the senior managers regime, material risk-takers and so on.

I also think that it is a journey that needs to continue and needs to be enhanced and improved as things change. One of the things we have seen through Covid is a massive increase in the use of digital channels. They bring their own challenges with them to ensure the customer is getting the product and service they need and that is truly fairly priced for what they want. My view is that a lot of effort has gone into it. I think people take it seriously at senior management levels in the industry. There is more work to do and in many ways it is a continuous set of activities.

**Q16 Felicity Buchan:** Your tenure at Barclays came at the back end of the PPI scandal and your role as chief executive was to tidy up the LIBOR issues and the hedging scandals. What lessons have you learnt from that process?

**Antony Jenkins:** Again, it is a complex topic to answer succinctly. The first thing is that there should be obvious learnings or signs from that experience that are early warning triggers for the future. The first thing is, if you see a business growing at abnormally large rates, if you see abnormally large returns on capital or profits, or if you see elements of cross-subsidisation, which was clearly the case in PPI, for example, those should be red flags to look more deeply into what is going on with any particular product or service. Certainly from the role of the PRC, those are some key learnings that I would take into this topic.

There is also a macro set of challenges for the industry, where, perversely, all the things I have described continue to exist and are causes for constant vigilance. If you look at the industry prior to 2008, it was characterised by a period of rather high growth and quite high returns on capital, which in themselves should have been red flags. If you looked at a chart going back to, say, the start of the 20th century, returns on capital in banking were always in the mid to high single digits, not in the mid to high teens. That in itself was a red flag.

Maybe I am just the product of my rather long experience in the industry, but there are a number of things like that where, if it looks too good to be true, it probably is. If I were to distil down my learning, that would be it. I could obviously give you a much longer answer, but I am not sure time permits.

**Q17 Felicity Buchan:** You were chief executive from 2012, but you were at Barclays from 2005. Do you feel any personal responsibility for any of these scandals?



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**Antony Jenkins:** I arrived in the January of 2006, initially to run Barclaycard and then to run the retail bank and various other parts of the business, culminating in becoming group chief executive. I was particularly concerned when I arrived about PPI. There was one line of business where single premium PPI played a significant role. We closed that down because it had all the qualities I just described and I was not very comfortable with that. I have actually spent most of my time at Barclays either shutting things down or tidying up problems of the past, as opposed to being involved in driving things forward in an inappropriate way.

As you would imagine, as part of the process to become group chief executive, those things were looked at at the time. I have been generally tidying things up. Tidying things up is an understatement, because some of the problems we had to correct were very significant. Some of them had real economic costs. There was a particular business called structured capital markets, which basically involved a set of services around tax, so it is a very profitable business, but actually totally inappropriate and one that we shut down, at some considerable expense to the company.

Q18 **Felicity Buchan:** Let us move on from Barclays to Blockchain. You are on the board of Blockchain. I was just having a look at Blockchain's Twitter account the other day and it really is hyped-up marketing of crypto assets. Given how speculative and high risk these investments are, do you think that is an appropriate way to market them. Do you feel a responsibility, being on the board?

**Antony Jenkins:** Yes, absolutely. I feel a very significant responsibility to being on the board. If I go back two or three years, there was a boom in cryptocurrency. I remember being at the airport, travelling to a meeting, and, where they have the papers when you board the plane, on the front page of every paper was bitcoin. I suspect at that time a few retail investors entered the market who probably should not have done, but most of our business is with professional investors and experienced people in the space of cryptocurrency. We have very significant controls over who we do business with to ensure we are not doing business with those who do not understand what they are getting themselves into.

Q19 **Felicity Buchan:** A Twitter account is marketing to the world and his wife. Do you think it is appropriate to be doing that marketing on Twitter?

**Antony Jenkins:** Twitter is widely used within the technology community and, at its heart, Blockchain is a technology company. People tend to think of cryptocurrency in the way you have described it, as a highly speculative asset class, and in many ways it is. It is also part of a larger ecosystem based around distributed ledger technology that I think is going to be important for finance going forward. You will have heard of things like DeFi, or decentralised finance, which is another area there. As a company, we are involved in all those things. Primarily, I joined the board four years ago because I believed that, although the immediate



manifestations of distributed ledger technology in crypto were interesting, they were probably more building blocks along the way to something more substantial, just as we saw with the internet in the late 90s. That is why I became involved in the company. We take extremely seriously who we do business with, how we do business with them and the level of KYC, checking and all those things.

**Q20** **Felicity Buchan:** Let me ask about Fannie Mae. I see that you are on the main board. Clearly no one is travelling at the moment but, in past times, did this require a lot of travel to the US?

**Antony Jenkins:** Yes. I have not been to a Fannie Mae board meeting since this time last year. In fact, we have our board meeting tomorrow. Currently, we have five board meetings a year. At the moment it is five board meetings a year. I have tended to organise those around other business that I have to do in the United States, so it is a manageable time commitment.

**Q21** **Felicity Buchan:** I have one final question, because I am almost out of time. Your experience is clearly in banking, but the PRA is also responsible for insurance. Do you think that you have the skill set to be able to add value on the insurance side?

**Antony Jenkins:** My future colleague, Mr Taylor, who is coming before you immediately after me, has very deep knowledge of the insurance industry and I certainly would not claim to have that knowledge myself. There are some common themes. Capital is really important. Modelling is really important. Conduct and culture are really important. I look forward to learning more about the insurance industry through my work on the committee. I have already gained some experience of it through my work with Fannie Mae, which provides insurance as a large part of what it does in providing liquidity to the mortgage market in the US.

I also think there is sometimes a benefit to having somebody who is not steeped in an industry, who can come and say, "Hang on a second; explain how that works. Maybe I just do not understand it because I have not worked in the industry for 20 years". I expect Mr Taylor will be able to do the same on the banking side.

**Q22** **Harriett Baldwin:** Good afternoon, Mr Jenkins. Can I hark back to your Barclays shareholdings? The Committee has, rightly, looked at this as being one of the major potential areas of conflict of interest. I wanted to ask specifically about the phrase that you used. You said, "Should I choose to dispose of them." That implies that they have all vested. Can you confirm for the Committee that all your Barclays shares have vested and you would be in a position to sell them, should you choose to?

**Antony Jenkins:** That is correct.<sup>1</sup>

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<sup>1</sup> *Note by witness:* In my testimony I stated that my Barclays shareholding was fully vested. Upon further review it appears that approximately 2.3% of the holding remain to be vested between March and September of this year.



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**Q23 Harriett Baldwin:** Presumably, you personally receive dividends from this shareholding. We do not want to pry into your personal finances, but the position on the PRA, I believe, is compensated to over £100,000. Would the dividends that you receive from Barclays be higher or lower than that amount?

**Antony Jenkins:** As you know, the banks have not paid any dividends in the last year. If I think historically, it would be significantly lower.

**Q24 Harriett Baldwin:** You mentioned the process that you have agreed with the Bank of England in terms of should you choose to dispose of those shares, what the windows would be. Would this be something that would be of public record as to what your holdings are and what the changes in them have been?

**Antony Jenkins:** I honestly do not know whether that would be a matter of public record or not. I have no problem in making public those disposals. As you will understand, when I was the CEO any disposals would have to have been made public and my holdings were public. I have no problem with that.

**Q25 Harriett Baldwin:** But that is not something that was discussed with the Bank.

**Antony Jenkins:** No, but if it were either a requirement or seen as desirable, I would have no difficulty in publishing my existing holdings or indeed the disposal of such.

**Q26 Harriett Baldwin:** The reason I am asking this is obviously, as you point out, banks have not been paying dividends. You have mentioned in your questionnaire the decision to suspend dividends at the start of the pandemic was a good example of the new capital regime and it was the right decision to preserve capital at a time of huge uncertainty in the economy and the financial system. One of the things on the PRA's agenda is relaxing these restrictions. Do you think now is the right time to relax those restrictions?

**Antony Jenkins:** As you know, I am not yet on the committee, so I am not really privy to the details of that decision making. My view is there is still a significant amount of uncertainty as we think about the economy with Covid and, to some extent, Brexit, but more to do with Covid. As we know, the track of the virus and the fight back with vaccinations is entirely unpredictable at this point. The PRA has issued guidance that banks should be prudent in how they deal with both dividends and cash bonuses. That is exactly the right position to take.

As I said in my earlier remarks, I am pro-capital. I believe that banks should have strong capital reserves. If there is an area of ambiguity, I would advocate for retaining the capital rather than distributing it.

**Q27 Harriett Baldwin:** Should the PRA be preparing for greater risk than they have already articulated relating to defaults on the bounce-back



loans?

**Antony Jenkins:** At this point, it is too early to say exactly what is going to happen with some of these programmes that have been rolled out through the crisis. It depends on many factors. A lot of them are connected to how quickly the virus can be suppressed and the economy can restart. I am sure the Bank, the PRA and the PRC have prepared a number of scenarios around these things and are making sure that the banks are appropriately capitalised for any potential losses that will come in the future.

**Q28 Harriett Baldwin:** The latest report that we have from them, the Financial Stability Report, predicts that the major UK banks can absorb credit losses in the order of £200 billion. Does that sound about right to you?

**Antony Jenkins:** Again, I have not seen the analysis, but I would say that there is significant absorptive capacity within the system at the moment. If you look at common equity tier 1 ratios for the banks, they are in the 15%-to-16% range. That provides a significant cushion against future losses. The economic scenarios I know that the Bank is operating on, based on the Governor's comments yesterday, expect unemployment to peak at around 6.5%. It is manageable inside that sort of context, but it is a volatile and unpredictable situation that will require continued monitoring, vigilance and, where necessary, appropriate action to conserve capital to protect against future losses.

**Q29 Harriett Baldwin:** In your questionnaire response, you note that the PRA, the Bank and the Treasury have taken necessary and effective steps to respond to the pandemic so far and that the pandemic is going to require continued vigilance from the PRC. Can you elaborate for us what you personally will bring to expand the vigilance that they are already paying to the situation?

**Antony Jenkins:** Yes. One of the things that I have learned in my business career is that the world is a very unpredictable place and trying to guess the future is always a mistake because you will inevitably be wrong, so I tend to think about things in terms of scenarios. One scenario is exactly what the potential outcomes for public health are, then what are the economic outcomes that those public health outcomes would create, and how that would affect growth in the economy and unemployment, and how that affects various different sectors of the economy. As we know, the impact of Covid has been disproportionate on areas like hospitality, travel and so on.

Then, what are the range of possible outcomes that could happen under all those factors? The range of outcomes you could envisage would be quite wide, because obviously there are a lot of variables there. I would want to make sure that there was a central scenario around these things, where, when you look at actions, for example around how various assets on the banks' balance sheets are treated, how things are provisioned,



capital requirements—we talked about dividends and so on—the measures that were being taken were covering that quite wide central scenario. The other thing I would do is look at the tail either side of it to make sure that, if you looked at a very worst case, what the Armageddon scenario would mean for bank balance sheets?

Of course, a lot of this work is the work of the stress testing regime that the PRC has in place, which is comprehensive. The banks have had several cycles of that. I know one was not run last year, but that would be a good basis. I would be looking to, in my own mind, be comfortable that that approach was fully operational, everything had been thought about and that we had pressure-tested it appropriately.

**Q30 Harriett Baldwin:** One of the things that you can do to deal with an uncertain future is to be very robustly diversified. I wanted to go back to this question of your shareholdings in Barclays again. I am really sorry to have to keep going back to this. The first thing they taught me when I did my MBA was that you should try to hold as little of your employer's shares as possible, because it would be so undiversified. Your job and your wealth would depend on that. I appreciate that CEOs are required to hold shares, but you said at the beginning that they have vested. I am curious as to why you would still have a single large shareholding in a firm, particularly where, in the public eye now, with the new role you are taking on, it could be perceived as a potential conflict of interest.

**Antony Jenkins:** It is an interesting question. Let me describe what happened. I believed, as the CEO, that I should retain all the shares that I owned in the company, either that I had acquired directly or that were granted to me as part of my compensation. I believed that my interests should be aligned with those of our shareholders. As you know, part of the regulatory regime in this country requires CEOs and other senior leaders to hold their shares for quite a long period of time.

In fact, when I left Barclays, I sold the vast majority of my shares that had vested. Then there was a tail of shares that vested over a number of years. I left them there as part of my overall portfolio. They do not constitute a significant part of my overall portfolio, to the comment you made about your MBA. I just left them there as part of my overall investments and did not sell them. There is no particular reason for my not selling them. I am not holding them as some attempt to profit; I know you are not suggesting that I am holding these things to in some way profit from them. I certainly understand the concern of the Committee. As I say, if and when I choose to sell them, or decide that I might think about selling them, I would only do that through the proper processes of the Bank.

**Harriett Baldwin:** I apologise for being so personal, but, when you take up a major public role like this, this is the kind of question that, needless to say, we are asking on behalf of the general public. Thank you very much.



Q31 **Chair:** Antony, I am going to go to Julie in a minute, who I think is going to ask you about climate-change-related issues. Can I quickly ask you a couple of things? I think you suggested that the Governor of the Bank of England had said that unemployment might peak at 6.5%. I could be completely wrong, but I think he was referring there to the current level of unemployment perhaps being 6.5% rather than 4.5%, due to the way it is calculated and the difficulties in determining whether people are looking for work or not. Unemployment is going to be a critical driver of the stress that the banking and financial services sector experiences going forward. It will be a measure of the kind of general economic distress out there. What are your thoughts on where you think unemployment might go to over the coming months and where you think it might peak? Do you have any particular observations, for example, on the Office for Budget Responsibility's projections that it has made in that respect?

**Antony Jenkins:** The honest answer to that question is that, while people have made forecasts around unemployment, the ranges are inevitably quite wide. In many ways, I am as concerned about the sectoral impact as the absolute level. Like all of us, I am concerned about the impacts of unemployment on particularly the less economically advantaged in this country. All the evidence is that we are likely to see a disproportionate impact on people in that category.

Q32 **Chair:** Where do you think unemployment as a percentage might peak? What is your view of the OBR's projections?

**Antony Jenkins:** Could you see unemployment going up to 8% or 9%? Possibly, in this scenario. It really depends on what the shape of the public healthcare curve is. If we have an extended wave of lockdowns through the course of this year, that is obviously going to drive unemployment up. There have been commendable attempts to maintain employment and job opportunities in firms to avoid the economic scarring of Covid, but I am quite concerned, as I am sure we all are, about where the long-term rate is and how quickly the economy recovers at this point. For the work of the PRC, the important thing there, as I answered in one of the other questions, is to contemplate quite a broad range of scenarios to ensure the banking system can support the economy whatever happens.

Q33 **Chair:** Can I quickly get back to this amount of time that this role is going to take and your other interests and responsibilities? Am I right in saying that you basically have four other interests that are taking up your time? You have the Fannie Mae board membership, director of Blockchain, the 10x Future Technologies executive chairmanship and the chairman of Currencies Direct. Would that be right? This would be a fifth string.

**Antony Jenkins:** Yes, correct.

Q34 **Chair:** Could we quickly go through each one and could you approximate



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what you think is the amount of time you require to give those different interests, in terms of time per week? Could we start with the board position at Fannie Mae?

**Antony Jenkins:** I would say, on average, probably a day a week.

Q35 **Chair:** I should also ask if you are required to give a minimum amount of time with these positions, or is it just the amount of time it happens to take to do what you need to do?

**Antony Jenkins:** Yes, it is the amount of time.

Q36 **Chair:** You are not required to give any minimum.

**Antony Jenkins:** Correct. I will say one thing before we go through the exercise: I took on a number of these roles in 2016, once I had finished my time at Barclays. In the course of this year, I would expect one or two of them to come to a natural end. Part of my thinking here is that there will be more capacity to deal with these things. As I say, I have already stepped down from the institute, which was quite time-consuming, in the order of one to two days a week. In a sense, I see this as creating capacity for this role on the committee.

Q37 **Chair:** We have a day a week for Fannie Mae. What would the directorship at Blockchain be taking, roughly?

**Antony Jenkins:** Maybe a day a month, a quarter of a day.

Q38 **Chair:** What about the 10x Future Technologies?

**Antony Jenkins:** It is probably about a day.

Q39 **Chair:** What about the Currencies Direct chairmanship?

**Antony Jenkins:** It is probably about a quarter, something like that. If you add it all up, it will come to about two and a half to three.

**Chair:** Okay, so three plus your one to two is about a working week. That is very helpful. Thank you very much indeed.

Q40 **Julie Marson:** Good afternoon, Mr Jenkins. As the Chair said, I would like to turn to climate change, because the financial risk arising from climate change is one of the PRA's focus areas. What is your view of the PRA's assessment of climate change risks and the timelines firms have been given to embed their approaches to managing their risks?

**Antony Jenkins:** Climate change, as we all know, is a very significant—probably the most significant—issue facing the world, notwithstanding Covid. This is a matter of enormous complexity, because climate change is operative in many different ways. If you are an insurance company, for example, you are going to be worried about adverse weather effects on general insurance. If you are a bank, you are going to be worried about the risks and opportunities created from funding different types of activity, whether that is more fossil fuel extraction versus various green



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technologies that can be encouraged and financed over time. It is extremely complicated as a topic.

The one thing that, as I said in my remarks, we need to be careful about, is the set of activities that are basically greenwashing. To be able to methodically implement a proper approach around this is very important. I know that the PRA and PRC have given firms until the end of 2021 to embed their approach fully. It is not surprising to me that it will take that long to do, because it is extremely complex and needs to be done properly. There are a variety of actions that the Bank, in conjunction with the PRA, has taken, which are entirely appropriate. We have played a leadership role among central banks in focusing on these topics under the previous Governor and now under the current Governor, and that is appropriate.

Do I think there is a lot more to do? Yes, absolutely. Do I think we should do it properly and methodically? Yes, I do. Is it both an opportunity and a threat? Yes, it is. We have to be careful about the greenwashing, which is a real risk.

**Q41 Julie Marson:** As you say, it is complex. Firms have a limited time advised to embed those. There are approaches to managing those risks. Do you think they have enough time? Do you think they have a good understanding of what they need to do and the potential impact on their business models?

**Antony Jenkins:** Honestly, I do not know, because I am not privy to the work of the PRC and the PRA in this regard, because I am not on the committee yet. If I just put my experience and common-sense hat on, I would expect it to be quite mixed. I would expect there to be a variety of levels of understanding around this—some simple things about how much carbon any given firm produces as an enterprise, just for its own footprint and so on, all the way up to, if you are a bank, how much you are financing fossil fuels and, effectively, persisting the problem, versus how much you are financing green technologies that are helping to solve the problem.

There is a much more dynamic methodology to thinking about how to address those issues as an industry. I know, as a country, we have been leading the charge on disclosure. Disclosure is really important so that all stakeholders can assess exactly what the progress is and what the challenges are. It also requires some real hard, strategic thinking at the board and executive level inside financial institutions to make sure they are striking the right balance. It is a balance and it is about maintaining momentum over time.

**Q42 Julie Marson:** I would like to quote something from your questionnaire, which is interesting. In your response, you say, "The usual way to deal with externality is to tax negative externality and subsidise positive externality. Similar thinking could be extended to the work of the PRA/PRC in, for example, the application of capital requirements to



different forms of lending". Could you expand on what you mean in that point and share how you would approach that in PRC discussions?

**Antony Jenkins:** As I mentioned in my remarks, this is not a matter for the PRC alone. It is as much a policy matter as anything. One way to think about this is that if we are not fully reflecting the costs of financing fossil fuel extraction and energy from fossil fuels, you could apply a higher capital weight to those types of activities, thereby depressing the return on them and making them less attractive for banks to allocate capital to them. Of course, you could do the reverse, if you wanted to, around green technologies. There are ways to effectively incent behaviour of firms using capital weighting. It is worthy of consideration. That is by no means a topic for the PRC alone, so it would have to be an integrated discussion across other stakeholders, including Treasury and Parliament, I suppose. If we want to grip this problem, we are going to have to do some things differently.

Q43 **Julie Marson:** You mentioned other stakeholders and so on. Do you think capital regulation is the best way to encourage a transition to net zero, or would you suggest the Government use different and better policy levers to do that?

**Antony Jenkins:** It is certainly no silver bullet. Again, these are policy matters, but there are many different ways in which we could incent. In many ways, this comes back to all of us—how we use energy and how individuals are incented to use energy. There has been a lot of discussion about changing over heating systems from gas, and how we subsidise those activities and make sure they are done cost-effectively. How do we create whole industries around the infrastructure and human capital to replace all the gas boilers with green boilers?

There is a whole bunch of policy topics that need to be aligned across the economy to be able to deliver the change and get to net zero by 2050. That is a big challenge for all of us. It will be a combination of incentives and, back to the question of externality, in some cases taxing, with a small "t", the behaviours we do not want to see. I also believe that this is a big opportunity for our economy. It is clearly a challenge, but, if we think about the discussion we had previously on the economy, fiscal stimulus around these types of things, and incentivising private sector investment into these activities, could be a big boost.

Q44 **Julie Marson:** Are you comfortable that the PRC and the PRA have the right remit both to manage the risks to financial services arising from climate change and to promote that transition to net zero?

**Antony Jenkins:** My understanding is that that is under review. It is appropriate that that be reviewed, like all areas of policy that we were just discussing. It is a gargantuan task that is in front of us and we need to have everybody focused on it in the right way.

Q45 **Chair:** I think that brings us to the end of this session. We have literally two or three minutes. Was there anything else you wanted to say or



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share with the Committee that we have not drawn from you during this discussion? There does not need to be, but just in case there was something you were wanting to share.

**Antony Jenkins:** No, I appreciate the discussion that we have had. I am a passionate believer in the power of the banking system to create a stronger economy and therefore a stronger society. I feel very honoured to be asked to do this and I have appreciated the opportunity to appear before you today, so thank you for that.

**Chair:** Thank you very much indeed. Thank you for coming and joining us.