

Treasury Select Committee Questionnaire
Antony Jenkins

Personal

- 1. Do you have any business or financial connections, or other commitments, that might give rise to a conflict of interest in carrying out your duties as an external member of the PRC?**

No. I have declared all my business interests and financial holdings and no conflicts have been identified.

While no conflicts have been identified, if any potential conflicts were to arise from specific matters for discussion or decision in the PRC I would recuse myself, consistent with the PRC Conflicts Code.

- 2. Do you intend to serve out the full term for which you have been appointed?**

I intend to serve the full term.

- 3. Do you have, or do you intend to take on, any other work commitments in addition to your membership of the PRC? If so, how will you fit them alongside your commitments at the PRC?**

I have carefully considered my current commitments and believe they are complementary to my membership of the PRC and can be accommodated in my available time.

Currently I have the following professional commitments:

- Founder and Executive Chair 10x Future Technologies Group
- Board Member Federal National Mortgage Association (Fannie Mae)
- Chair Currencies Direct Group
- Board Member Blockchain
- Chair Institute for Apprenticeships and Technical Education (resigned)
- Member advisory board Palamon Capital Partners

- 4. Please explain how your experience to date has equipped you to fulfil your responsibilities as a member of the PRC. To which areas of the PRC's work do you expect to make particular contributions?**

I would divide my professional experience into four areas.

Firstly, I worked for over 30 years in the banking industry including living and working in New York for 13 years. This included working in many different lines of business and in different parts of the world. I was a member of the Executive Committee at Barclays PLC for almost six years and group CEO for three.

Secondly, in 2016 I began a second, entrepreneurial career focusing on fast growing companies in Fintech and technology. This includes founding my own business 10x Future Technologies Group where we now employ directly and indirectly approximately 600 people, Currencies Direct a high growth private equity backed firm and Blockchain the world's largest provider of crypto currency wallets.

Thirdly, I have extensive board experience. I was a board member of Visa Europe and have sat on two bank boards, Absa in South Africa and Barclays. In addition to my board responsibilities in respect of the companies listed under the second point I am currently a member of the board of Fannie Mae one of the world's largest financial institutions and a key provider of liquidity and guarantees to the US home purchase market. I am deputy chair of the Risk and Capital and Strategic Initiatives and Technology Committees and a member of the Audit Committee.

Finally, I was the Shadow Chair and am currently Chair of the Institute for Apprenticeships and Technical Education. This was a new ALPB established in 2016 and has provided me with insight and experience in working with government and the civil service.

Overall, my experience is much greater in banking than insurance although of course Fannie Mae has provided insight to some aspects of that area. I would expect to be able to contribute broadly to the PRC agenda.

The Prudential Regulation Committee and Prudential Regulation Authority

5. What is your overall assessment of the track records of the PRA and the PRC to date? In your opinion, what are the areas of most success and in which is there still the most work to be done?

The PRA and PRC have played a crucial role in the reforms post the 2008 financial crisis and there is no doubt that the financial system is much stronger today than it was then. By some accounts, banks are required to carry 10 times more capital than at that time. The recapitalisation of the system, higher leverage and liquidity requirements combined with stress testing and living wills all show the progress that has been made.

Indeed, the decision to suspend dividends at the start of the COVID crisis was a good example of the new regime in action. Whilst no doubt frustrating for shareholders, it was definitely the right decision to preserve capital at a time of huge uncertainty in the economy and financial system.

The frameworks and tools established by the PRA will no doubt be subject to continuous refinement as more is learned. A good example is the implementation of IFRS 9 and expected loss accounting and its impact on firms' capital and balance sheet.

More broadly, the PRA and PRC will need to operate within an environment of intense uncertainty and respond accordingly. Some of these matters are covered below but singularly any one of COVID, Brexit, climate change, technology change and shifts in the nature of work could have profound impacts on the economy and therefore the safety and soundness of firms. But it is much more complex to determine the impact and therefore the regulatory response in an environment where these factors are "stacking" and interacting dynamically.

This will necessitate an agile and broad approach to regulation going forward for the PRA and the PRC.

- 6. The PRC has a lower public profile and is less transparent than the Bank's two other policy-making committees (for example, it does not publish meeting records or minutes). How appropriate do you think this is, and do you think there is a need for the PRC and PRC members to promote greater transparency and public engagement?**
- a. Because the PRC does not publish such information, it will be difficult for this Committee to assess your contribution to the PRC. Do you intend to give speeches, or be visible in some other way?**

The work of the PRC in the regulation of individual firms requires a high degree of confidentiality for obvious reasons. However, I look forward to representing the work of the PRC in whatever general way is considered appropriate. This will involve giving evidence to the Treasury Committee and could include giving speeches or participating in out-reach programs.

- 7. The current remit letter from the Chancellor recommends that the PRC have regard to six aspects of the Government's economic policy: competition, growth, competitiveness, innovation, trade and 'better outcome for consumers.' As a PRC member, what will be your approach to balancing these against the PRC's statutory objectives?**

By legislation and regulation, firms are required to operate in a safe and sound way, provide fairly priced and appropriate services to their customers and clients, deliver acceptable returns to their shareholders and provide meaningful and fairly compensated work for their employees. Leaders of firms will need to constantly balance their activities to achieve these sometimes-competing objectives.

With regard to the Chancellor's recommendation, it is necessary for the PRC to first understand how firms are achieving balance in delivering the above objectives within the current policy and regulatory framework. It then also necessary for the impact of future changes to that framework to be analysed and assessed to ensure the optimum outcome is achieved.

It is also necessary for the PRC to understand not only the actions taken by firms but also the processes employed to decide and then execute these actions.

Of course, as financial firms the superordinate requirement is to operate in a safe and sound way and this must be the start point for the PRC.

Regulatory and policy issues

8. What is your assessment of the risks to the safety and soundness of the firms and sectors regulated by the PRA arising from Coronavirus? How well has the PRA dealt with the situation to date, and what future challenges could emerge?

There are clearly multiple first and second order risks to the safety and soundness of firms. The most obvious is an increase in credit losses due to economic deterioration but also includes liquidity risks if financial markets were to close due to perceived uncertainty and operational risks that firms could not serve their customers due for example to staff shortages. Second order risks are linked to the prolonged economic scarring that could result from the crisis.

All crises are by definition unexpected and to some extent novel and there is therefore not well developed doctrine to guide how to respond. However, the decision to act boldly and quickly was in my view the right response. The coordinated activity across Treasury, the Bank and the PRA in reducing interest rates, affording funding to firms and supporting corporate debt as well as temporarily reducing the regulatory burden have been necessary and effective.

In my view the situation regarding COVID remains highly uncertain and will require constant vigilance by the PRC over the coming months. Where necessary the PRA and PRC should continue to act boldly and quickly.

9. What is your assessment of the remaining and future operational challenges and risks to the safety and soundness of the firms and sectors regulated by the PRA arising from Brexit?

The risks to safety and soundness from Brexit are primarily in two areas. Firstly, lower economic growth as a result of leaving the EU which could impact firms' profitability and therefore their capital positions due to slower revenue growth and/or credit losses. Secondly, from the lack of access to EU markets or the lack of access to the UK by EU clients and as at the time of writing the regulatory regime between the UK and the EU remains uncertain.

Both these risks cannot be precisely quantified at this time and may or may not ultimately crystallise.

On the first set of risks, the PRA and PRC have the monitoring and tools to deal with these potential impacts as they would any economic downturn. On the second, a close watch will need to be kept in order to determine what action if any is required.

10. What is your assessment of the risks to financial services arising from climate change and what the PRA is doing to ameliorate those risks? What role can and should the PRC and PRA play in promoting the transition to net zero carbon emissions?

- a. **Do you think a revision needs to be made to the PRC's objectives or Chancellor-set remit in order to allow it to promote the transition to net zero?**

Clearly climate change is the greatest existential threat facing the human race. The UK has set ambitious targets for net zero and is hosting the COP26 Summit later in the year. The risks to financial services are myriad, including unexpected and unpredictable insurance losses, destruction of property from violent weather events and the devaluation of collateral held on loans.

Of course, to achieve our ambitions on climate change, very significant financing will be required which also represents an opportunity for the industry.

In many ways climate change is a classic externality; that is, activity which is not reflected in the market price. 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. However, this is both a matter for government policy as well as regulation.

Finally care needs to be taken with regard to over "financialisation" of solutions and "greenwashing" neither of which will solve the problem. The PRA and PRC will need to be vigilant here.

11. What assessment have you made of the impact that the Senior Managers and Certification Regime has had on culture and accountability in the sectors regulated by the PRA?

Since leaving Barclays, I have had little direct experience of this regime. It does seem to me however that the sector continues to experience a number of issues around conduct, which suggest that there is further work to do.

My broader business experience suggests it is probably too early to form an assessment of the efficacy of the regime but in any event, it is likely to be necessary but not sufficient in driving appropriate culture in the industry.

Also paramount is the leadership and standards set by the boards and executive of firms as well as appropriate goal setting and compensation policies.

History teaches us that there will be future financial crises and whilst they will likely manifest in a different form to 2008 it is probable that some of the underlying causes will be similar. These include unusually high growth rates and/or returns, high levels of compensation for those involved in delivering products and services and cross subsidisation.

Monitoring for these causes remains paramount.

12. Apart from the issues highlighted above, would you highlight any other emerging or possible risks to the safety and soundness of firms in any of the sectors regulated by the PRA?

I would highlight two important areas.

Firstly, the poor returns on equity in the industry which are a consequence of further adjustments required to the operating models of the banks particularly in the areas of cost management and technology. Poor return on equity means that shareholders (ultimately the citizen through their pensions, savings and life policies) are being short-changed but also of course it makes it difficult to raise further equity capital to bolster the balance sheet for safety and soundness or growth.

Secondly and related is technology. Firms are challenged, on the one hand by fintech and on the other, big tech whilst firms' legacy systems are often decades old. This makes it hard to deliver the best user experience, handle data effectively and operate at an appropriate level of cost.

In my view, the industry can only address both issues by moving onto modern technology such that it can serve customers better but also apply machine learning and AI to make better marketing and credit decisions, reduce fraud losses and operational cost. Consequently, there will be a significant benefit to the system, competition and safety and soundness.

I am sure the PRC is aware of these risks and will need to continue to focus on them going forward.

The Treasury Committee will publish your answers to this questionnaire.