



9 July 2012

Mr Andrew Tyrie MP
Chairman of the Treasury Committee
House of Commons
Committee Office
7 Millbank
London
SW1P 3JA

A handwritten signature in black ink that reads "Sean Anderson,".

Thank you for your letter dated 4 July 2012 requesting copies of documents that Barclays received from the Financial Services Authority (FSA) in September 2010 and early 2012.

It would appear that the documents you have requested relate to questions put to Mr. Diamond at the start of last Wednesday's evidence session and based on extracts from confidential documents sent by the FSA to Barclays. It would also appear that the information fed to the Committee was not entirely accurate.

You will understand that we consider it to be essential that there is a mechanism for a free and open, but confidential, exchange of information between a bank and its regulator. It is, therefore, important that confidential correspondence such as the documents you have requested remain confidential between both parties. Otherwise, there is a risk that the ability of regulators to provide direct feedback and challenge to the banks they regulate is seriously undermined, which would not be in the interests of financial stability.

In these exceptional circumstances, however, I am happy to provide the documents requested to the Committee in confidence in order to set the record straight. The Committee should also see my response to Adair Turner dated 18 April 2012. I enclose, therefore, the following documents:

1. Letter from Hector Sants, Chief Executive of the FSA dated 15 September 2010;
2. Letter from Adair Turner, Chairman of the FSA dated 10 April 2012; and
3. Letter from Marcus Agius to Adair Turner dated 18 April 2012.

You will appreciate, however, that there are instances where the documents requested touch on matters of a commercially sensitive nature and on issues that are not relevant to the Committee's immediate inquiry. We have, therefore, redacted those sections but have been restrained in so doing.

I would like to clarify two points in particular:

1. In the oral evidence with Bob Diamond on 4 July, you asked whether Mr. Diamond was aware of a written submission by the FSA to the Board, at the time of his appointment, setting out the need for an improvement in the corporate governance and culture of Barclays and a requirement to look better at how Mr. Diamond was assessing risk appetite and calling for improvements to the control framework.

As you will see from the enclosed letter from the FSA, dated 15 September 2010, the FSA approved the bank's application for Mr. Diamond to be Barclays Group CEO. The FSA made it clear that they wanted an increased level of engagement from Mr. Diamond with regulators in the UK and globally and that they would want him to be based in the UK. (This reflects the fact that he was, at that time, based in New York and that, until then, he had naturally not had as much engagement with the FSA as would be expected on his assuming the role of CEO). They also wanted to ensure that independent challenge to those reporting to him was provided by Mr. Diamond in his role as Group CEO. Neither of these desires can fairly be interpreted as expressions of concern about his appointment.

Furthermore, as at 10 September 2010 the FSA investigation into Barclays LIBOR submissions was ongoing. The FSA had been informed by the bank of the trader requests, the actions of the bank during the financial crisis and the instructions to submitters after Mr. Diamond's conversation with the Bank of England. These matters were not raised by the FSA at that time as casting doubt on his suitability as CEO.

There is a paragraph in the letter detailing the FSA's emphasis on the CEO setting the right culture, risk appetite and control framework across the organisation. These are areas of focus that you would expect the FSA to require any CEO to have in mind – there was no suggestion that these expectations were particular to Mr. Diamond either in the letter or in any discussions that were had between the Board and the FSA at the time. Most significantly, there was no request for assurances from the Board that there should be a change of culture at Barclays.

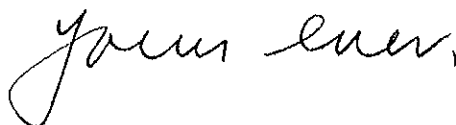
2. You also asked whether the FSA had attended the Barclays board meeting in February 2012 and said that "...trust had broken down between the FSA and Barclays..." and "...that they no longer have confidence in your senior executive management team..." Neither of these statements were made by the FSA officials who attended our Board meeting.

You will see from the enclosed letter to the bank from Adair Turner, dated 10 April 2012, that there had been an exchange of views between the FSA and the Board, with the result that there was an exchange of correspondence between Barclays and the FSA. Robust expressions of particular concerns by a regulator in relation to regulated institutions take place in the normal course and do not of themselves merit the conclusion that there has been a breakdown of trust. You will see, however, from my reply, that Barclays accepted the importance of Lord Turner's comments and undertook to act upon them.

Finally, as at February 2012 not only was the FSA fully aware of the misconduct in relation to LIBOR but it had interviewed Bob Diamond and other senior executives. There was no suggestion by the FSA that it had any concern about Barclays culture in 2012 in relation to those matters or about the suitability of Bob Diamond as CEO.

There is, therefore, no basis to either statement.

Thank you for giving me the opportunity to provide the Committee with this information and to set the record straight. I look forward to providing oral evidence to the Committee tomorrow.

A handwritten signature in cursive script, appearing to read 'James Laver'.A handwritten signature in cursive script, appearing to read 'Marcus'.

Marcus Agius
Chairman