

HOUSE OF COMMONS
ORAL EVIDENCE
TAKEN BEFORE THE
TREASURY COMMITTEE

EVIDENCE FROM MARCUS AGIUS, CHAIRMAN, BARCLAYS PLC

TUESDAY 10 JULY 2012

MARCUS AGIUS

Evidence heard in Public

Questions 498 - 821

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Oral Evidence

Taken before the Treasury Committee

on Tuesday 10 July 2012

Members present:

Mr Andrew Tyrie (Chair)
Michael Fallon
Mark Garnier
Stewart Hosie
Andrea Leadsom
Mr Andrew Love
John Mann
Mr Pat McFadden
Jesse Norman
Teresa Pearce
Mr David Ruffley
John Thurso

Examination of Witness

Witness: **Marcus Agius**, Chairman, Barclays PLC, gave evidence.

Q498 Chair: Thank you very much, Mr Agius, for coming in this morning. You have just announced your intention to leave Barclays, and if you have anything particular you want to say in respect of that, I think now is an opportunity. I understand that negotiations have been continuing with Mr Diamond about his severance terms, and if you have anything you want to say on that, do tell us now.

Marcus Agius: Thank you, Mr Chairman. So far as my own resignation is concerned, I imagine there will be a chance during questions and answers to give my version of that. I do want to take the opportunity now to tell the Committee about Mr Diamond's severance package, because I understand obviously it is a matter of public interest. Shortly before I came here this morning I received a notice of what is about to happen, and I thought rather than us put out a press announcement ahead of this Committee, I would rather show my respect for the Committee by announcing it here this morning. What has happened is that Bob Diamond has voluntarily decided to forgo any deferred consideration or any deferred bonuses to which he otherwise would have been entitled.

Q499 Chair: What is the value of those?

Marcus Agius: It is not a precise figure because it depends on certain things.

Q500 Chair: At current valuations.

Marcus Agius: The maximum amount would be £20 million.

Q501 Chair: Is there anything else you would like to add?

Marcus Agius: No, I would just say that obviously this is a decision for him, but, frankly, I think it is something that the board of Barclays welcomes and I am glad that he has done it.

Q502 Chair: Thank you for those opening remarks. You will have seen Martin Taylor's remark in the newspapers the other day: "I deserve blame for being among the first to succumb to the myth of Bob Diamond's indispensability, to which some in Barclays were still in thrall only a matter of days ago." Were you one of those?

Marcus Agius: I obviously was not in Barclays when Mr Taylor was there, but I was on the board and indeed I was Chairman when Bob Diamond was appointed as Chief Executive. One of the most important actions for any Chairman is to manage a Chief Executive succession because so much depends upon the choice.

Q503 Chair: Have you resigned because you didn't manage your Chief Executive successfully.

Marcus Agius: No, that was not the reason I resigned. If I could deal with the first part first, we will then deal with the second part. When John Varley told me of his intention to retire, obviously it was a matter of great concern as to who his successor should be. Bob Diamond existed inside the bank and he was an obvious candidate, but I was also very concerned—as indeed were the rest of the board, it being a board appointment not a Chairman appointment—that we should choose someone who would be the right person to lead the bank going forward. We talked to other people; we benchmarked available talent, and the board was unanimous in its decision that Bob Diamond was the right person to become the Chief Executive of Barclays.

Q504 Chair: I wrote to you asking for two letters from the FSA, the first at the time of Bob Diamond's appointment as Chief Executive and the second in the spring of this year. You have sent these to us as we requested, but you have redacted them without first consulting us. I would like to bring Michael Fallon in on these redactions.

Q505 Michael Fallon: Thank you, Chairman. I again remind the Committee of my registered interest as a non-executive director of Tullett Prebon, the broker. What is the purpose of these redactions?

Marcus Agius: The purpose of the redactions is because the items that have been redacted are commercially sensitive and, in our view and that of the FSA, not relevant to this inquiry.

Q506 Michael Fallon: Right, but are they entirely commercial and not simply legally sensitive?

Marcus Agius: No, they are commercially sensitive.

Q507 Michael Fallon: They refer to commercial operations or bids?

Marcus Agius: They are commercially sensitive.

Q508 Michael Fallon: Matters of that kind.

Marcus Agius: Yes, and, Mr Fallon, we did discuss them with the FSA and they were in agreement that the redactions were appropriate.

Q509 Chair: You were asked to discuss them with me.

Marcus Agius: I understand my staff did discuss it with your staff. I did not discuss it with you and for that I apologise.

Q510 Chair: Those letters show that not just people in Barclays or ex-Barclays, such as Martin Taylor, expressed concerns, but that the regulators were very concerned too, weren't they?

Marcus Agius: There were two letters you asked for. One was the letter of approval of Bob Diamond sent to me by Hector Sants, and in respect of that he makes a number of points.

Q511 Chair: Why don't we take the 2010 letter first? What did you take from the FSA's description of what they expected from Bob Diamond as Chief Executive, that they wanted a "close, open and transparent relationship", and their specific expression of concern that there be appropriate oversight of his immediate subordinates, especially del Missier?

Marcus Agius: There are two points together in that. The first point I believe is a statement they would have made in respect of any Chief Executive.

Q512 Chair: Do you think that is the sort of thing they put in every letter and they just lift that as some kind of cut and paste?

Marcus Agius: It would be surprising if they did not make that statement to any Chief Executive coming in.

Q513 Chair: It is worth reading: "The FSA expects Bob Diamond to continue to develop"—not keep—"a close, open and transparent relationship with his regulators." Do they come out with that line to every Chief Executive?

Marcus Agius: Bob Diamond prior to being appointed as Chief Executive of Barclays was the President; he was not the leading executive in the bank. That was John Varley. John Varley did have a close relationship with the FSA; Bob Diamond was at one remove, so for them to expect him to develop a close relationship coming into the job is exactly what I would have expected them to have said.

Q514 Chair: And on Del Messier and his team? "We will also require that there is appropriate clarity in oversight and responsibilities and that independent challenge is provided by Bob Diamond in his role as Group CEO" to them.

Marcus Agius: Yes, and that was a point that we made separately to Bob, self-evidently because he had grown up—if that is the right expression—in the investment bank. Jerry Del Messier and Rich Ricci were his lieutenants. When any person makes the move from one division into the centre, it is vital that he dissociates himself or becomes more objective in his treatment of that division than he would otherwise have been hitherto.

Q515 Chair: But he was not challenged, was he? He got on with misinterpreting Mr Diamond's email and ended up authorising false LIBOR returns in late October and November 2008, didn't he?

Marcus Agius: I was not involved in that exchange.

Q516 Chair: That is what the FSA Final Notice says.

Marcus Agius: Yes.

Q517 Chair: Am I right or wrong?

Marcus Agius: That is what the FSA Final Notice says.

Q518 Chair: The FSA also said in that letter that they "place considerable emphasis on the CEO setting the right culture, risk appetite and control framework".

Marcus Agius: Yes.

Q519 Chair: Would you agree that we now know that we had the wrong culture, the wrong risk appetite and the wrong control framework?

Marcus Agius: In respect of that, I would say that the problems that are the subject of the inquiry—the actions that happened in 2005, 2006—all happened before Bob Diamond was appointed Chief Executive, and at the time of his appointment as Chief Executive they were known to the FSA, who nevertheless approved his appointment. The FSA must have been satisfied that such changes as had already been made in the risk culture were satisfactory.

Q520 Chair: The FSA's fears and concerns expressed in that letter were borne out, weren't they? First of all, there was what happened in 2009 with Protium and the monoline CVA positions. Then of course there were the things that happened subsequent to that letter. Indeed, these are set out in a letter to you by Adair Turner on 10 April, which is pretty explicit, and those events took place after you had a meeting with Lord Turner. You say, incidentally, in your letter of April the "tone from the top" was one of the FSA's specific concerns. If we turn to the transcript, when I asked Bob Diamond exactly that question he said the FSA was "specifically pleased" with the tone at the top. Do you think this Committee was misled by Mr Diamond?

Marcus Agius: What Mr Diamond was referring to in that transcript was a visit by Andrew Bailey, who is not technically the Chief Executive of the FSA but I think he is the acting senior officer. I am a little vague on what his precise job description is, but he is effectively the successor to Hector Sants and will have an ongoing role once the new regulatory regime emerges. He came to our board together with a colleague in February of this year. The FSA come to see the board of Barclays every year, and I imagine they do the same thing with other banks. During the course of that session at Barclays Bank, Andrew Bailey said, "We are satisfied with the tone at the top of Barclays, particularly in respect of Bob Diamond and Chris Lucas."

Q521 Chair: So it is Lord Turner's letter or, rather, your letter about your meeting with Lord Turner that is misleading in this case.

Marcus Agius: Not misleading. I think they are talking about different things. Could I try to give some context to the Lord Turner letter?

Q522 Chair: What we will do is ask the FSA about this, and colleagues might come back to this in a moment. I would like just to move on to the Adair Turner letter. It is just worth reading out what he actually said: "I wished to bring to your attention our concerns about the cumulative impression created by a pattern of behaviour over the past few years, in which Barclays often seems to be seeking to gain advantage through the use of complex structures, or through arguing for regulatory approaches which are at the aggressive end of interpretation." Is that something that you recognise?

Marcus Agius: When any bank deals with its regulator, it has to deal with very complex matters. It is not like a speed cop catching you for going more than 30mph in a 30mph speed limit. Very often the points that are raised and the issues that are discussed are complex and capable of interpretation and are capable of debate. We have historically chosen to debate with our regulators whenever we thought it appropriate in order to ensure that whatever regulatory decision arrived at was the appropriate one in all the circumstances.

Q523 Chair: Whether you are sailing close to the wind or driving at the speed limit, you are clearly being asked by the FSA to take more care, aren't you?

Marcus Agius: What I took from Lord Turner's interview and then subsequent correspondence was: "Look, you do this too much. It's not helping your relationship with the regulator. Would you please rethink this?" I took that point.

Q524 Chair: If we go through the list of concerns—it is a long one, even with the redactions—we have the risk-weighting of capital; we have index hedges. Perhaps it is worth just reading out what it says on that: "Your desire to move index hedges of own credit from the trading book to the banking book ... used up our resource and goodwill."

Marcus Agius: That is what it says.

Q525 Chair: That doesn't sound very good, does it?

Marcus Agius: As I said before, we invariably seek to try to achieve the best regulatory outcome with our regulators by engaging them, not with a view to doing anything we should not do but just trying to manage the process. Very often we say, "Fine, we understand what you are trying to do and we are happy with that." Sometimes they say, "No, I see your point," and a different outcome is reached. What that letter is saying is that we overdid it.

Q526 Chair: Yes, you overdid it. You do not think that, all in all, a more cautious approach might have been called for from you?

Marcus Agius: When we discussed the relationship with the FSA, particularly after the visit from Andrew Bailey, the conclusion of the board after Andrew Bailey had gone was that it served no useful purpose for us to have anything other than a positive and constructive relationship with our regulator.

Q527 Chair: It does not look as if it were positive and constructive. Here we are on stress tests: "The confusing and potentially misleading"—so you were misleading regulators—"impression created by Barclays' initial presentation of its position under the EBA stress tests ... [left] an impression that Barclays were seeking to spin its messages in an unhelpful fashion."

Marcus Agius: This was occasioned by a rather hectic period just prior to the end of last year, when there was a great deal of focus on banks' capital ratios and in particular Barclays' capital ratio. In order to accommodate the end-of-year picture in a way that was going to make most sense all round, we had to have some accelerated interchanges with our regulator. I think the stress of that pressure showed on both sides.

Q528 Chair: What about the tax management issue? "The net impact has clearly been unfavourable to the degree of external trust in Barclays' approach to issues such as tax, regulation and accounting."

Marcus Agius: I cannot disagree with that. The issue to which you refer has been talked about quite a lot in the media and elsewhere. We engaged in some tax planning at that time. It was perfectly legal. We took external advice from a leading accounting firm and a leading law firm. I can assure you the governance was impeccable, but nonetheless after we had done it there was some retrospective legislation that pulled the rug from under our feet, and the reputational impact was severe. I absolutely see that.

Q529 Chair: Here is Lord Turner's conclusion on behalf of the FSA: "The cumulative effect of the examples set out above has been to leave us with an impression that

Barclays has a tendency to continually to seek advantage from complex structures or favourable regulatory interpretations. These concerns are sufficiently great that I felt it was appropriate to communicate them directly to you, and to urge you ... to encourage a tone of full co-operation and transparency.” Presumably they thought that there was not at that time a tone of full co-operation and transparency, or else he would not have written it, would he?

Marcus Agius: The message was well received and, as I said, when discussed at the board, the decision was to—

Q530 Chair: This is just a couple of months ago, isn't it?

Marcus Agius: Yes.

Q531 Chair: So things were in a pretty desperate state with respect to your relationship with the regulator by this time.

Marcus Agius: I do not accept the word desperate.

Q532 Chair: What word would you like?

Marcus Agius: I think that Lord Turner was interviewing me as Chairman of Barclays, as he should have done, to say, “Look, when we deal with you, you try too hard.” He does not say that anything we are trying to do is improper or anything we are trying to do is incorrect, but that in trying to seek the best outcome for the bank we are testing the goodwill of his staff, and I understand that.

Q533 Chair: Do you think this is proper and correct conduct by a regulated firm?

Marcus Agius: Our job is to operate absolutely within the regulations and absolutely within the law. Our job is to do everything right and proper that we should do, but I also understand and know full well that we operate in an extraordinarily competitive international industry. Our job is to try to do the best we can for all of our stakeholders within the constraints that I have mentioned just now of regulations and of the law.

Q534 Chair: I will give you another go. With what word would you like to try to summarise your relationship with the regulator here? Strained? Difficult?

Marcus Agius: Strained I think would be fine.

Q535 Chair: When Mr Diamond came before us, he did not give any impression of that strain, did he? He did not give a full and fair representation of his relationship with the FSA when asked about it, did he? He gave the opposite impression, didn't he? I have the transcript here.

Marcus Agius: What he referred to is what you referred to earlier, Mr Chairman. He said that when Andrew Bailey came to see us, he said the tone at the top was satisfactory.

Q536 Chair: He described these strained exchanges as no more than a conversation.

Marcus Agius: As I said before, when any bank, and indeed I imagine many other industries, interacts with its regulator on complex matters, particularly where they are capable of different interpretations, I think it is within reason the job of the regulated entity—in this case a bank—to put its side of the case as favourably as it can. That is what it is there to do.

Q537 Chair: Can you think of any reason why we should not conclude that he has treated Parliament with the same cavalier attitude with which he was treating the FSA?

Marcus Agius: I am sure that was not his intention.

Q538 Chair: I am asking whether that was the effect.

Marcus Agius: That is for you to judge.

Q539 Chair: Isn't it really why he had to go?

Marcus Agius: Would you like me to lead on to the reason why he had to go?

Q540 Chair: Isn't this the reason why he had to go? It is the culture at Barclays that came from the top, from the Chief Executive, that you did not keep under control, Mr Agius.

Marcus Agius: The reason he had to go was different from that.

Q541 Chair: You had better tell us what this different reason is.

Marcus Agius: Mr Tucker may have alluded to it in part yesterday. Please indulge me in the history of this. We have known about these various inquiries for some time; they have built cumulatively until the point where we reached settlement and made the announcement on Wednesday two weeks ago. One of the agencies that was involved in this was the FSA. Indeed, all of the information that we passed to the CFTC was passed through the FSA, and a very great deal of information there was too. That resulted in the fines that were settled, and we had to make an announcement. We had to decide as a board what our reaction should be to having to make this settlement and pay these fines. We debated it, as you would expect, and we differentiated between culpability and responsibility.

What we took more than comfort from was the fact that the FSA did not find against—if that is the right expression; forgive me if I am using loose language—Bob Diamond or any of the other senior management of the business in terms of culpability. However, you cannot see a settlement like that without recognising that responsibility is required, and the solution we devised was that the four senior executive officers who were on the deck when these matters occurred should recognise their responsibility by forgoing their bonuses. We hoped, obviously, that that would be deemed to be proportionate in all the circumstances. Evidently we were wrong, because the public outcry afterwards was extraordinarily great.

We met as a board on the Friday evening that week to take stock of where we were, and it was clear that the public clamour had been extraordinarily great, and there was great concern as to what should then follow. We took stock of how the news had been received, not just in the political world and not just in the media world, but amongst our customers, amongst our employers and amongst our shareholders. The message we received in strong terms from the market was that the one outcome that the shareholders did not want to see was the removal of Bob Diamond. That was the outcome they did not want to see, as they believed in him as a very effective Chief Executive. We, the board, believed in him as a very effective Chief Executive. That is why we approved his appointment in September 2010.

As it went into that weekend, I was faced as Chairman with the dilemma that there was far greater reputational damage than we had anticipated, and certainly far greater than we had sought. There was a requirement for some further action from the bank, and that is why I felt, as the ultimate person responsible for the reputation of the bank, that I should resign. I made that decision personally on Saturday night and I conveyed it to the board on Sunday; it was announced on Monday morning.

Q542 Chair: You resigned because, although you had a great Chief Executive, you acknowledged that you had not kept him under adequate control.

Marcus Agius: I resigned for the reasons I stated, Mr Chairman. I felt ultimately responsible for the reputation of the bank.

Q543 Chair: You do not think that those who argue, particularly some shareholders, that this is a firm that is being wrecked by poor corporate governance have a case.

Marcus Agius: I was going to come on to Bob Diamond, but I will divert on to that if you would like me to. On the question of governance, there is an interesting exchange, because one of the activities of the FSA in recent times has been an increased degree of supervision over all of their banks. One of the supervisory activities they engaged in was what they called a “governance review” of Barclays amongst others. We received a letter from the relevant official at the FSA, saying that they had examined the governance at Barclays and found it satisfactory. I would go further and, if I can breach a confidence, on the way to the lift to show the official down, she said, “I normally rather fear these interviews with banks because I never have good news to give. I was happy with yours because I did have good news as far as the governance of Barclays, as we see it. In fact, I would rank you best in class.” This is from the FSA.

Chair: I dread to think what is going to happen when we get the reports from the regulators on all the rest of the LIBOR cases, but there we are.

Q544 John Mann: Have you received professional assistance in preparing for today’s hearing?

Marcus Agius: I have had a team of people at Barclays who told me what questions I might expect, yes.

Q545 John Mann: I just wondered because you were quoting exactly the same phrases Mr Diamond had used identically. You are in charge of the bank; did your bank this morning brief journalists before eight o’clock that you were going to be making your announcement on remuneration at this Committee.

Marcus Agius: I hope not.

Q546 John Mann: I am asking did they or didn’t they?

Marcus Agius: I have no knowledge of that.

Q547 John Mann: You have no knowledge?

Marcus Agius: I have no knowledge of that and I would be upset if that was the case.

Q548 John Mann: You would be upset if that was the case, but you do not know whether your bank did.

Marcus Agius: Yes. I have been here and I have been elsewhere this morning.

Q549 John Mann: It is just you are in charge; that’s all. The letter of 10 April, which you are seeking to play down—

Marcus Agius: No, I am not seeking to play it down. It was a very serious letter.

Q550 John Mann: On the board meeting of 9 February, there is some disagreement about what was said. Could we have a transcript of the section of the board meeting where Mr Bailey was in attendance so we can make our own judgment?

Marcus Agius: We do not produce transcripts, but you can certainly have a copy of the relevant section of the minutes.

Q551 John Mann: You will have recorded the meeting, so can we have a copy of the recording of that section of the meeting?

Marcus Agius: Mr Mann, we do not make a transcript verbatim. We take minutes.

Q552 John Mann: But you will have recorded the meeting, so can we have a recording of that section relating to Mr Bailey and what was said.

Marcus Agius: There was no recording. We do not take recordings of our board meetings.

Q553 John Mann: That's convenient.

Marcus Agius: But, sorry, I am happy to let you see a copy of the minutes, and the minutes do include reference specifically to the point I just made about the comment by Mr Bailey as to the tone from the top specifically set by Mr Diamond and Mr Lucas.

John Mann: This letter from Lord Turner—I will re-read out what was said. “I wished to bring to your attention our concerns about the cumulative impression created by the pattern of behaviour over the last few years in which Barclays often seems to be seeking to gain advantage through the use of complex structures or through arguing for regulatory approaches which are at the aggressive end of interpretation of the relevant rules and regulations.” Mr Diamond described this in his evidence to us as, “This is the annual review from the FSA.” Is that what the FSA said to you every year?

Marcus Agius: You are confusing the two things. The annual review was the visit to the board in February by Mr Bailey. The letter from Mr Turner was separate.

Q554 John Mann: No, the letter then goes on to say, “Andrew Bailey also expressed these concerns at your board meeting,” so I am not confusing anything. Did the FSA say these things to you every year in this, as Mr Diamond described it, annual review from the FSA?

Marcus Agius: Every year when the FSA comes to see us, they do not, as you would expect, say, “Everything that you are doing is absolutely perfect.” They seek to find those areas where they think further attention needs to be paid, and that is what they tend to review with us. That is what tends to happen.

Q555 John Mann: The letter from Lord Turner highlights “Protracted communications between ourselves and Barclays ... Our team felt that Barclays continued to argue for capital optimisation in a way which inefficiently used up our resource and goodwill.” However, as well as saying this is merely the annual review from the FSA, Mr Diamond told us that the FSA were “specifically pleased” with them. That does not sound very pleased.

Marcus Agius: I assume what he was referring to by saying that they were pleased with us was in respect of this tone from the top—the comment that was specifically made by Mr Bailey at that board meeting he attended.

Q556 John Mann: No, that is in relation to precisely the question I just put to you, put to Mr Diamond by our Chairman.

Marcus Agius: I am sorry—

John Mann: Precisely the question I put to you is the question our Chairman put to Mr Diamond, and Mr Diamond said that they were “specifically pleased”.

Marcus Agius: I repeat that I think he was referring to the comment by Mr Bailey as to the tone at the top.

Q557 John Mann: No, he is answering about the annual review.

Marcus Agius: I am sorry. I do not have the transcript.

Q558 John Mann: He is answering from the annual review of the FSA—the stress tests, etc. What Mr Diamond says is, “I don’t remember anything.” Mr Diamond has been misleading this Committee, hasn’t he?

Marcus Agius: I cannot comment on that.

Q559 John Mann: We only got this letter from you this morning, just before the Committee. This could have been made available to us before Mr Diamond came. The letter from Lord Turner is unambiguous, but Mr Diamond does not remember anything, suggests that the FSA was “specifically pleased” and suggests that all this is an annual review from the FSA. In this letter, Lord Turner, the FSA, is tearing a strip off Barclays and what you are doing operationally and culturally.

Chair: Mr Agius, you might want to refer to the relevant section in the transcript and take a moment to read it now. It is question 19 particularly that we are looking at here. Take a moment just to read if you want.

Marcus Agius: The genesis of this exchange seems to me in question 17, where there was an assertion that the FSA had at some stage said they “no longer have confidence in the senior executive management team”, and Bob Diamond was pushing back against that.

Q560 Chair: If I may interrupt just for a second there, whether or not they had confidence, a fair summary is that the relationship was strained, by your own admission.

Marcus Agius: Strained—but there is a big difference, with respect, Mr Chairman between having no confidence and being strained.

Q561 Chair: This was not just a discussion on the basis of a customary annual review, as Mr Diamond asserts, was it?

Marcus Agius: When they come and do our annual reviews, what they always do is say, “These are the areas where we think you are doing well, and these are the areas where we think you need to try harder,” like any other annual review. I do not mean to trivialise them, but that is the essence of what happens. When the FSA visits us and they say, “Here are areas where we would like to see progress,” we take that as being part of the normal course of the interchange.

Lord Turner’s letter was exceptional because he was trying to make a separate point, which was that, in our interactions with the FSA, because we have always tended to try to make sure that we are not given regulatory judgments that we think are less than appropriate and because therefore we tend to argue the toss, if I can put it that way, the extent to which we have done that—again I do not intend to trivialise anything by the use of my language—was causing a problem for the FSA and he thought he should bring that to my attention. He did, and I responded to it.

Q562 John Mann: But it is not exceptional: he said “protracted communications”. Let’s look at question 20: “Isn’t it true that there were challenges from them about your stress tests, your accounting practices, the handling of the Protium deal? Of course, we have subsequently had the debt buy-back scheme, the interest rates swaps problems and of course now LIBOR. Isn’t this all part of a pattern?” We have this letter on these matters from Lord Turner. Perhaps you could quote Bob Diamond’s response to this Committee on the Chairman’s question on this. Bob Diamond knows about this letter because he is there and in charge when this letter arrives. Can you quote from what Mr Diamond says?

Marcus Agius: I can if you would like me to.

John Mann: Please.

Marcus Agius: What Mr Diamond is recorded as having said is, “I don’t remember anything—I didn’t brief before this on the February meeting, so I don’t mean to skip over anything, if I am,” and more.

Q563 John Mann: So the response was, “I don’t remember anything” and yet we have this letter to your bank, which is the most extraordinary letter on the most serious of issues, at the time Mr Diamond was in charge, and he has calculatedly and deliberately misled this Parliamentary Committee. It cannot be possible, can it, that Mr Diamond was not aware of this letter and had forgotten about it?

Marcus Agius: I can’t speak to Mr Diamond’s testimony.

Q564 Chair: You remember the letter very well, don’t you?

Marcus Agius: Yes, I do.

Q565 Chair: And it made an impact on you.

Marcus Agius: It did.

Q566 Chair: You presumably had conversations with the Chief Executive about it, didn’t you?

Marcus Agius: We discussed it at the board.

Q567 Chair: And there were lengthy conversations I expect. Give us a feel for how lengthy was lengthy, roughly.

Marcus Agius: Half an hour/20 minutes.

Q568 Chair: 20 minutes to half an hour. Did the Chief Executive say anything?

Marcus Agius: I do not recall.

Q569 Chair: Okay, but we are going to have the minutes. You certainly remember all this pretty vividly. The Chief Executive does not seem to be able to remember any of it.

Marcus Agius: I cannot speak to his testimony.

Q570 Chair: Does this pattern of behaviour have anything to do with why he has gone?

Marcus Agius: No.

Q571 John Mann: I have one other area of questioning to clarify. You informed us Mr Diamond is going to be leaving with a package worth £20 million. Is that what you said?

Marcus Agius: He is not going to be leaving with a package of £20 million.

Q572 John Mann: How much is the package worth?

Marcus Agius: The package that might have been worth £20 million he has voluntarily surrendered.

Q573 John Mann: So no package at all.

Marcus Agius: No, he will get the rest of his salary, but that is it.

Q574 John Mann: Is that a unanimous view of your remuneration committee?

Marcus Agius: That was his decision. It was his decision. We agree that that was the right thing to do; it was his decision to do it.

Q575 John Mann: Is there any dissent on your remuneration committee about that?

Marcus Agius: No, nor on the board.

Q576 John Mann: Any argument between you and the chair of the remuneration committee on this issue?

Marcus Agius: No.

John Mann: None whatsoever?

Marcus Agius: No.

Chair: Can I just say, we did not feel we had much clarity or openness from Mr Diamond, but whether or not we agree with them, the answers you are giving us today have been direct and frank. We appreciate that and it is extremely valuable to our inquiry.

Q577 Mr McFadden: Mr Agius, can I take you back to the letter of 2010 at the time of Bob Diamond's appointment? This is a letter from Hector Sants to you as the Chairman. He mentions several points. He says, "It has already been identified that this [appointment] will require an increased level of engagement from Bob Diamond and we have made our expectation known to him." It goes on to say, "We place considerable emphasis on the CEO setting the right culture, risk appetite and control framework across the entire organisation." He concludes by saying they "will look to be satisfied that the required focus on the retail banking business and consumer outcomes is maintained by him".

In the transcript from Mr Diamond's testimony to us last week, the Chairman asked him about this and said, "It is true, isn't it, that the FSA were concerned about your appointment as Chief Executive? They sought assurances from the board ... is that not correct?" Mr Diamond's reply is, "That's the first I've ever heard that there was any question about my appointment as Chief Executive." He goes on to say, "I knew nothing about it at the time I was appointed. Correct. I don't know"—the present tense—"anything about it." Did you ever discuss any of the things raised in the Hector Sants letter with Mr Diamond?

Marcus Agius: If I can talk to that, I would like to. As I said before, conducting the search for a Chief Executive is one of the most important things a Chairman can do. You need to get it right and you need to get it right in every respect. As the process was nearing its conclusion I thought it prudent to go and have a conversation face to face with Hector Sants just to make sure that there was going to be no difficulty with the FSA. I called on Hector Sants and I said, in effect, "It's looking as if we are going to conclude that Bob Diamond is the person we should appoint as Chief Executive. I assume that's not going to cause you any difficulty." His response was, "Not only is that not going to cause me any difficulty, I can tell you now that, if it were, I wouldn't be happy with him where he is now in his present role."

Q578 Mr McFadden: So you never, as Chairman of the company, relayed any of these three or four specific points in the Hector Sants letter to the Chief Executive?

Marcus Agius: As I said in earlier exchanges, I believe that at least two of the comments are generic and would be made of any Chief Executive, and two of them are specific to Bob, namely: "You need to distance yourself from your former colleagues," which is an absolutely right thing to say; and secondly, "You need to improve your knowledge of the side of the bank that you don't know so much about"—absolutely right. I would have relayed those to him.

Q579 Mr McFadden: It is quite simple: did you relay these concerns to him?

Marcus Agius: I would have relayed those things to him.

Q580 Mr McFadden: So why does he tell us: “I knew nothing about it at the time that I was appointed. I don’t know anything about it.”

Marcus Agius: I can’t speak to his testimony.

Q581 Mr McFadden: Do you accept that what he told us and what you have just told us are hard to reconcile?

Marcus Agius: I can’t speak to his testimony.

Q582 Chair: Well, you could offer a view on that.

Marcus Agius: I could offer a view on that, but the challenge was that the FSA had problems with his appointment and, as I said, from my earlier exchange with Hector Sants they had anything but.

Q583 Mr McFadden: But it is your job as Chairman to reflect the concerns of the FSA to the prospective appointee, is it not?

Marcus Agius: Yes. I would challenge the word “concerns”. That letter raises four issues and they are called “issues”. The word “concerns” I do not believe appears. I am not being pedantic but there is a difference between “these are issues which I would like to raise with you” and “concerns”, which means “I’m worried”.

Q584 Mr McFadden: Did you reflect any of this to him or not?

Marcus Agius: Yes, I did.

Q585 Mr McFadden: You did?

Marcus Agius: Yes, I did.

Q586 Mr McFadden: But he has told us he knew nothing about it and he still doesn’t know anything about it.

Marcus Agius: I’ve attempted to interpret that, and you are asking me to speak to his testimony, which I think is difficult.

Q587 Mr McFadden: Now, let me ask you about this issue of tone at the top. At question 15 of last week the Chairman asked Mr Diamond what was said at this February meeting. Mr Diamond said, “The focus and tone at the top was something that [the FSA] were specifically happy with.” Yet we have a letter in front of us from you to Lord Turner, dated 18 April of this year, which says, “It was clear that ‘tone from the top’ is one of the FSA’s concerns.” So we have the diametrically opposed opinion expressed by your Chief Executive last week compared with what you said in your letter, where you acknowledge that the tone from the top is “one of the FSA’s concerns” in April. How do you explain that?

Marcus Agius: I can only repeat what the board was told by Andrew Bailey when he came to see us.

Q588 Mr McFadden: Which was?

Chair: Sorry, I did not hear that, Mr Agius. Could you speak up?

Marcus Agius: Sorry, I can certainly speak up. I was going to repeat what I heard and the rest of the board heard from Andrew Bailey when he came to attend our meeting. He was pleased with the tone at the top, particularly insofar as it reflected the actions of the Chief Executive and the Chief Financial Officer. What he also said, which I think comes out in that letter, is that in the day-to-day interactions, sometimes the interactions were a bit too—

Q589 Mr McFadden: I am sorry. This just does not tally. It says here, and I am quoting you here—this is your letter—“It was clear that ‘tone from the top’ is one of the FSA’s concerns.” That is you saying this to Lord Turner a couple of months ago.

Marcus Agius: That is in response to his letter to me.

Q590 Mr McFadden: Yes, but you are saying in your letter the tone from the top is one of their concerns and you are telling us now it was not.

Marcus Agius: I am telling you what Andrew Bailey told me.

Q591 Mr McFadden: Why does your letter say that the tone from the top was one of the FSA’s concerns?

Marcus Agius: Because that is a different exchange from the visit to the board, and it was as a result of my interview with Lord Turner and his subsequent letter that led me to write what I wrote.

Q592 Mr McFadden: Either the tone from the top is a concern of the FSA or it is not. Which is it?

Marcus Agius: I am sorry; what my letter says is, “The Board and I took note of Andrew Bailey’s comments in our February meeting and, while he specifically excluded Bob Diamond and Chris Lucas from his comments, it was clear that ‘tone from the top’ is one of the FSA’s concerns.”

Q593 Mr McFadden: Exactly.

Marcus Agius: So it should be.

Q594 Mr McFadden: Exactly, but you keep saying the tone from the top was not one of their concerns.

Marcus Agius: No, I said what he said in respect of Bob Diamond and Chris Lucas was that he was satisfied, but getting the tone from the top right is a continuing source of concern. I think that was a forward-looking statement.

Q595 Chair: If I can just pick up on that—sorry, Mr McFadden—are you just saying you think it is a forward-looking statement?

Marcus Agius: Yes.

Q596 Chair: So this is a concern about what might happen in the future, but isn’t yet a concern now?

Marcus Agius: To ensure that going forward the tone at the top is as it should be.

Chair: I see. Well, it is an interpretation. I will put it no stronger than that. Mr McFadden.

Q597 Mr McFadden: Do you accept that these different views of both the letter at the time of Mr Diamond’s appointment and this question of what you were told in February make it difficult for us to trust what we’re hearing from the bank?

Marcus Agius: I am sorry. Say that again?

Q598 Mr McFadden: Do you accept that the different accounts that Mr Diamond has given us compared with the letter at the time of his appointment and the different account

Marcus Agius: No, I think that is a leap too far.

Q599 Mr McFadden: Let me ask you a final thing. You as Chairman are responsible for the culture of the bank. You began your statement today with a piece of information about Mr Diamond forgoing his pay-off. I just want to get to the bottom of what Mr Mann asked you. In money terms, what does that mean he will be left with? You said that he is going to forgo £20 million. What will he walk away with?

Marcus Agius: The remainder of his annual salary: £1.35 million.

Q600 Mr McFadden: He will walk away with £1.35 million?

Marcus Agius: Well, or half of it.

Q601 Mr McFadden: Remuneration has been extremely controversial in banks in general and Barclays in particular in recent years. You presided over one of the largest shareholder revolts in corporate history, with almost a third of shareholders voting against the remuneration report and the bonus that was awarded to Mr Diamond in the last round. It has been reported that Ms Carnwath, the chair of the remuneration committee, opposed the payment of Mr Diamond's £2.7 million bonus, but that you overruled her. Is that true?

Marcus Agius: I did not overrule her.

Q602 Mr McFadden: Did you disagree with her on the bonus?

Marcus Agius: Whenever we have discussions around the board, the expectation that everybody starts and ends with exactly the same position would be rather curious. I take pride in the fact that in our board colleagues are encouraged to express their views, and encouraged to explain why they hold that point of view, to encourage proper debate. That is one of the reasons why I believe we got a good chit from the FSA about the quality of our governance—because we do have that challenge. At the end of the day, what we seek to do and what we invariably do do under my Chairmanship is to reach a common position to which we all adhere.

Q603 Mr McFadden: Isn't it the case that she took the heat for this bonus, but you had actually overruled her in forcing it to be paid?

Marcus Agius: I did not overrule her. Categorically, I did not overrule her.

Q604 Mr McFadden: Simon Walker, the Director General of the Institute of Directors, has stated, "At the moment Barclays is paying three times more in bonuses to top executives as it pays in total dividends to all shareholders, which is basically the pensioners of this country." What do you think that says about the culture that you have presided over in Barclays?

Marcus Agius: With respect, I do not think it is a matter of culture. I think it is a question of trying to manage an extraordinarily difficult situation. First of all, it is almost impossible to overstate the shock to the financial services industry and indeed many other industries as well—

Q605 Mr McFadden: That is a different question from the balance of payment between—

Marcus Agius: I will come to it. Banks and many other industries went into the financial crisis with a level of pay that was competitive as between the various different

companies that operated in each sector. As the situation has come up, we have tried very hard to manage compensation down. We have tried very hard to achieve a far better balance between the shareholders and between the employers, but there is a natural limit to how far we can go. If we reduce the payment of our people too fast, they leave—unattractive, but they leave. If we do not do it fast enough, our shareholders vote us out. We have to somehow strike that balance, and I do believe the people who are best placed to make that judgment are the people sitting on the remuneration committee.

Q606 Mr McFadden: So give us the figures. In the last couple of years, how much has your share price reduced and how much has executive pay reduced?

Marcus Agius: I was talking about dividends as compared with compensation.

Q607 Mr McFadden: Do you feel that you have presided over an adequate balance between rewards for top executives and rewards for the people who have invested in your bank?

Marcus Agius: I believe that we have done as much as we could in the circumstances. I think we have a long way to go. I am completely sympathetic to the shareholders. They have had a rough deal in recent times; I could not agree with you more. But at the same time, the solution that everyone seems to put to people like me—“Yes, but why don’t you just pay people less?”—is simplistic. If we could do that, we would think about it very carefully. What we have to do is manage the balance.

Q608 Mr McFadden: It is what the chair of the remuneration committee wanted to do when she opposed the £2.7 million bonus for the Chief Executive, isn’t it? But she didn’t get her way, did she?

Marcus Agius: She had a point of view and others had a point of view, and we ended up with a collective decision.

Chair: We may have to come back to this in a moment.

Marcus Agius: It is a very difficult area, Mr McFadden.

Q609 John Mann: Mr Agius, you just said to the Chairman that “tone from the top” is future-looking, but actually what your 18 April letter says is, “The Board and I took note of Andrew Bailey’s comments in our February meeting and, while he specifically excluded Bob Diamond and Chris Lucas from his comments, it was clear that the ‘tone from the top’ is one of the FSA’s concerns.”

Marcus Agius: Yes, it was clear at the meeting that the tone from the top is a concern going forward.

Q610 John Mann: You are dancing on the pin of a head, Mr Agius.

Marcus Agius: Well, you are obliging me to.

Q611 Mr Ruffley: Mr Agius, for the benefit of the Committee and everyone watching, can you give us, in a sentence, the reason why Bob Diamond went?

Marcus Agius: He went because it became clear that he had lost the support of his regulators.

Q612 Mr Ruffley: And can you tell us in a sentence why you resigned?

Marcus Agius: I resigned because I felt responsible, as the ultimate keeper of the bank’s reputation, that further action was taken. At that point, the alternative of seeking the

resignation of Bob Diamond was something that our shareholders did not want to see, and we believed at that time that Bob Diamond continued to have the support of his regulators.

Q613 Mr Ruffley: Can we go back to this damning letter of 10 April? Far from it being an issue about “going forward”, which were the words you introduced, what Lord Turner says to you in the 10 April letter is, “I wished to bring to your attention our concerns about the cumulative impression created by a pattern of behaviour over the last few years.” When did you become Chairman?

Marcus Agius: 2007.

Q614 Mr Ruffley: So he is referring to the last few years, and that would include your tenure going all the way back to 2007. Now, we have had examples here read out already from this letter, but let me just remind everyone of the Protium deal. Lord Turner talks about a “convoluted attempt to portray a favourable accounting result”. In relation to the monoline CVA positions, it mentions “Barclays choosing valuations clearly at the aggressive end of the acceptable spectrum”. Then we get on to the reference that “Barclays was not fully transparent with us about the RWA impacts of a proposed extension of model approaches”. Then he goes on in relation to the protracted conversations, when you wanted to move index hedges of own credit from trading book to the banking book. Even though you did not get it resolved in your favour, you “continued to argue for capital optimisation”. Then in relation to the EBA stress tests, he refers to “the confusing and potentially misleading impression created by Barclays’ initial presentation of its position under the EBA stress tests”. Finally, for good measure, he talks about your tax strategy, and Lord Turner says, “The net impact has clearly been unfavourable to the degree of external trust in Barclays’s approach to issues such as tax, regulation and accounting.” All these things happened on your watch. Is that correct?

Marcus Agius: Correct.

Q615 Mr Ruffley: Have you ever received in your professional career in the City as damning a letter as that of any organisation you have either chaired or had a position of authority in?

Marcus Agius: This letter—

Q616 Mr Ruffley: No; have you had a letter as damning as this in your professional career?

Marcus Agius: I do not wish to be pedantic, but I do not regard this as damning. I regard this as a firm letter from our regulator.

Q617 Mr Ruffley: I read out those things at length for a particular reason. All this is public, Chairman, I trust, today: “not fully transparent”, “confusing and potentially misleading”, “unfavourable to the degree of external trust in Barclays’ approach to tax regulation”. You do not think that is damning? Is that what you want to come out of this hearing—that you are saying this is not a damning letter?

Marcus Agius: I think this is a very important letter and one we took very seriously.

Q618 Mr Ruffley: Have you had one of this character or worse in your professional career? That is all I am asking.

Marcus Agius: I have not had another letter similar to this.

Chair: It is so important this letter that the Chief Executive scarcely remembers it.

Q619 Mr Ruffley: When you said that you had a 20 or 30 minute discussion with Mr Diamond, can you remember what day that was?

Marcus Agius: Sorry, we had a 20 or 30 minute discussion at the board.

Q620 Mr Ruffley: No, when this FSA letter on 10 April was received by you—the “Dear Marcus” letter—what discussions did you have with Mr Diamond thereafter? What day and how long did it last?

Marcus Agius: I cannot remember what day it was, but I remember discussing it with him and with other relevant officials inside Barclays.

Q621 Mr Ruffley: And what did Mr Diamond say when you informed him of it? No doubt you gave him a copy of this letter, didn’t you?

Marcus Agius: I would certainly have given him a copy of this letter.

Q622 Mr Ruffley: You would or you did?

Marcus Agius: I would have.

Q623 Mr Ruffley: So he received it and, as the Chairman, you talked through with the Chief Executive the contents of this letter?

Marcus Agius: I cannot remember whether I sat down face to face with him.

Q624 Mr Ruffley: You cannot remember. Given this litany of poor performance and poor culture, what do you say to people who say you were not very good at your job, Mr Agius?

Marcus Agius: I say what I said earlier, which was—

Q625 Mr Ruffley: No, what do you say to people who say you were not very good at your job?

Chair: Give Mr Agius an opportunity to reply.

Marcus Agius: I say what I said earlier. A major part of our day-to-day preoccupation at the bank is our interaction with our regulator. They have a very important job to do. We understand that and we respect that, but they are not always right. They are not always right. Many times situations come up when we say, “Actually I don’t agree with your interpretation of that. I don’t agree with the extent of this or the extent of that.” How we push back, how we argue that subject, is absolutely responsible behaviour by our bank. If the consequence of all of this is that they say, “Hang on, you’re just going too far. It’s making our life very difficult; you need to recognise that,” that is a message we should receive and did receive.

Q626 Mr Ruffley: So you think you were a good Chairman, not a poor Chairman. Is that what you are saying?

Marcus Agius: I think I responded to this letter in the appropriate fashion.

Q627 Mr Ruffley: Well, you are also not responding to very straightforward, binary questions. Finally, I think this Committee is owed an explanation. I am going to have one final go. If you look at the transcript at page four, question 15, we are talking about the February board meeting. Mr Diamond says of the contents of that meeting, when the FSA attended the board, “The context of the discussion when it got to controls, which I think is what you are asking about—I should call it the control environment—was that the focus and the tone at the top was something that they were specifically happy with.” Can you hold that in your mind for a minute, Mr Agius? Then can you look at your letter of 18 April, where of

the February meeting—so we are talking about the same thing; would you agree with that?—you say, “While he”, that is Mr Bailey of the FSA, “specifically excluded Bob Diamond and Chris Lucas from his comments, it was clear that ‘tone from the top’ is one of the FSA’s concerns.” On the basis of that, would you say that Mr Diamond lied to this Committee?

Marcus Agius: I cannot comment on Mr Diamond’s testimony.

Q628 Mr Ruffley: Would you say, given those two statements, which contradict one another in words of pretty much one syllable—and we do not want to talk about future tenses or going forward, which is what you tried to introduce before, laughably I think—that those are two sets of statements on the record and one of them is untruthful. I ask you again: did Mr Diamond lie to the Treasury Select Committee?

Marcus Agius: I am not going to speak to Mr Diamond’s testimony.

Q629 Mr Ruffley: So you are not defending him?

Marcus Agius: I am not going to speak to his testimony.

Q630 Mr Ruffley: Finally, do you think those two statements can be reconciled.

Marcus Agius: I think in the way I described before, about taking the reference in my letter to talk about the importance of tone at the top being something that continues.

Q631 Mr Ruffley: My final question: under your Chairmanship a great British bank has been dragged through the mud. Are you ashamed of that?

Marcus Agius: I regret deeply what has happened to Barclays and I have said in my resignation letter I am truly sorry.

Q632 Chair: I think we have had a very frank answer to that question. Can I just come back for a moment to Mr Diamond’s resignation? In the days prior to that, did you have any conversations about Mr Diamond’s position with the Governor of the Bank of England?

Marcus Agius: Yes.

Q633 Chair: And what did the Governor say?

Marcus Agius: When I had made my decision on Saturday night to resign, I felt it polite and appropriate to make sure the Bank of England, the Treasury and the FSA were aware ahead of the announcement. I tried to speak to Lord Turner on Sunday, but failed. Messages were put out to both the Chancellor’s office and the Governor of the Bank of England. On Monday morning I received a notification that the Chancellor wished to see me and Sir Michael Rake in the evening. Sir Michael Rake was until Sunday night the senior independent director of the bank and upon my resignation had been appointed as deputy Chairman.

Q634 Chair: You said the Chancellor there.

Marcus Agius: I am so sorry. I meant the Governor.

Q635 Chair: Okay, just trying to clarify.

Marcus Agius: Yes, I know. That was a complete mis-statement, sorry. The Governor of the Bank of England wished to see us at six o’clock and we went to see him. The two of us had a conversation with him, in which it was made very plain to us that Bob Diamond no longer enjoyed the support of his regulators. The Governor was very careful to say that he had no power to direct us, but he felt that this was sufficiently important,

as indeed it was, for us to be told in absolute terms what the situation was. As you can imagine, this statement was a shock to us, because only two working days beforehand we had released the announcement following the settlement with the three agencies, one of whom was the FSA, where the FSA had said nothing about the suitability or the unsuitability of Bob Diamond as Chief Executive, or indeed any of the other senior executives. We went from Wednesday, when Bob Diamond had the support of the regulators, to Monday night, when we were told in no uncertain terms that he did not have support of the regulators.

Q636 Chair: What had happened between the Wednesday and the following weekend?

Marcus Agius: Clearly what had happened was the public outcry had been far greater than we had thought. My own resignation, which I had sought to offer in order to alleviate some of the pressure, was inadequate and, clearly, the regulators decided more was necessary.

Q637 Chair: And then you had a conversation with Mr Diamond?

Marcus Agius: No, I had a conversation with my board.

Q638 Chair: And then after you had had a conversation with your board?

Marcus Agius: I had a conversation with my board, who were not in a happy place, as you can imagine.

Q639 Chair: Was this just the non-executives or the whole board?

Marcus Agius: Just the non-executives. We had a telephonic board meeting, at which we discussed what had happened, and I was obviously glad that Mike Rake had been there because it was such an important message. I would not want anyone to fear I might have misinterpreted it, not that it was capable of being misinterpreted. We reported to our board where it was, and we concluded that we had no choice but to call for his resignation, and we then spent some time trying to decide how we were going to cope with the management of the bank since we were going to have to make an announcement at seven o'clock the next morning. Within 12 hours of receiving this declaration, we had to put in place contingent measures—not an easy thing to do and not a comfortable thing to do—but we did that.

Following that, I had a further conversation with the Governor, because the last thing I wanted to do was to find that we had decided that the contingent arrangements were *x* and that they were not satisfactory to the authorities. That would have been very grave. I went back to the Governor and told him what we were planning to do, and he said that would be perfectly satisfactory. I said, for the sake of our own comfort, that I wanted to have a separate conversation with the FSA, and so I did. I spoke to Andrew Bailey, who was aware of the conversation that we had had with the Governor and who also expressed satisfaction with the proposed arrangements that we were planning to put in place. Then Mike Rake and I called on Bob Diamond.

Q640 Chair: And you asked for Mr Diamond's resignation?

Marcus Agius: No, we explained what had happened, and he was not in a good place, as you can imagine.

Q641 Chair: You were handing him a loaded revolver, weren't you?

Marcus Agius: Well, the conversation was not long. He asked for time to talk to his family and we left confident that, if he had not already made the decision, he would make the right decision.

Q642 Chair: What you have described is direct exercise of considerable regulatory authority and, effectively, for a brief while the taking over of the top of the Barclays management structure by the Bank of England. You felt the need to clarify the arrangements you had put in place with him to ensure they were going to meet with his approval.

Marcus Agius: The Governor made it perfectly clear that any decision would be taken by the board or by Bob Diamond individually, but it would have been foolish in the extreme of us not to have referred back to him with our interim proposals. That would have been taking a risk that would have been unwise.

Chair: Thank you very much for that clarification.

Q643 Mr Love: The FSA final notice shows that Barclays first started submitting falsified LIBOR submissions in September 2007, as you will be aware. When did you first become aware of this practice?

Marcus Agius: I first became aware that there was an investigation in April 2010.

Q644 Mr Love: The report of the FSA says, “Senior management at high levels within Barclays expressed concerns about this negative publicity. Senior management’s concerns in turn resulted in instructions being given by less senior managers to Barclays’ Submitters.” Who were those senior managers and when did they alert you to this practice?

Marcus Agius: As I said, I was notified first that there was an investigation, and that was the first I heard of any of these practices or the possibility of any of these practices, in April 2010. I do not know who those senior managers were.

Q645 Mr Love: The report goes on to say, “Barclays determined its LIBOR submissions whilst taking senior management’s concerns about negative media comment into account.” There is constant referral to senior managers. Are you telling me that there was no indication from senior management to the board at any time that this practice was going on?

Marcus Agius: The preoccupation of the board and the executive directors at that time was the condition of the funding markets. The specific items related to LIBOR were not discussed because the central issue was whether or not we were able to achieve funding in the markets, and we did. We did and that was highly important.

Q646 Mr Love: There was a report at the weekend from a whistleblower former senior manager in Barclays saying that any important decisions were always, on every occasion, escalated up the line. People had to be responsible to the layer above them. That would indicate that those senior managers would have sought a signal from the very top of the organisation. Are you saying that that did not operate in these circumstances?

Marcus Agius: It did not come up to the board.

Q647 Mr Love: It did not come up to the board at any time?

Marcus Agius: It did not come up to the board.

Q648 Mr Love: It has been a constant source of astonishment at this Committee that, for such an important benchmark for Barclays Bank, this sort of activity would not be known of both by the management at the most senior level and the board of directors? Are you telling me that that is the case—that the board knew nothing of this whatsoever until you found out about the investigation?

Marcus Agius: I cannot excuse the behaviours to which you are referring, but I can seek to explain them, if you would like me to do so.

Mr Love: Please.

Marcus Agius: In any bank, as well as the people who do the business, you have people who control and manage what is called the compliance function. The compliance function is there to ensure that the bank acts at all times within the regulatory constraints under which it is due to operate. It is not a practical proposition that every single individual is monitored at every single minute of his or her working day. That is simply not practical. What happens is that compliance is constructed around areas where risk is perceived to lie, and the riskier the area of the bank or the activity, the greater the levels of compliance and oversight.

For many years, the activities of the LIBOR market were seen to be low-risk because the passage of the LIBOR rate was very constant, the spreads were very narrow and very little happened. Separately, because of the way the LIBOR rate is struck—with 16 banks submitting, the top four taken off, the bottom four taken off and an average taken—the chances of anybody manipulating the rate successfully were deemed to be very low. As we heard yesterday from other testimony, as the credit crisis occurred, the behaviour of LIBOR departed from its historic patterns and, evidently, that led to an opportunity for risk and for people to take advantage of that.

We should have changed our compliance in recognition of that. We were behind the curve and that is most unfortunate, but it explains why these things were allowed to happen, why they were not detected and why more attention was not brought to our level at an earlier stage. It does not excuse any of it, but I seek to give an explanation as to what happened.

Q649 Mr Love: Let me just take that explanation. Mr Diamond, in his evidence to us, told us that he was continuously trying to alert others in important positions to the fact that other banks were manipulating LIBOR and that was the occasion for weakness on behalf of Barclays. Did it never occur to people at Barclays, particularly the board of directors, that if that were true—that banks were manipulating LIBOR—that would apply just as much, perhaps even more, to Barclays because it was an outlier in this regard? Did that never occur to the board? Were you being naïve in not thinking that that might be the case?

Marcus Agius: The concern that we had was not so much about the actions of LIBOR as such, because that was indicative of the underlying situation. The concern we had was that, because our submissions were high, people might falsely or incorrectly conclude that we were having more trouble funding than we actually were. And again, to put this into context, anybody who was not on the bridge of a bank during the financial crisis—and many others besides—who says it was not terrifying was not there. These were very difficult times and we were very nervous that we may be misinterpreted by the market as to our financial strength. We monitored it—and I know I did not, because it is not my job—and I know from many conversations I had with John Varley, with Chris Lucas and other people inside the bank that we were watching the funding markets like a hawk, as we should have done.

Q650 Mr Love: Let me just take those facts you have just said: you were watching the markets like a hawk, and you were terribly concerned about the level of turbulence—and we do understand that, as it was a significant part of the evidence that we received yesterday. Did it not occur to anyone that one of the ways in which you could ease the situation for Barclays in that particular context was by manipulating LIBOR submissions on—

Marcus Agius: That was not a consideration.

Q651 Mr Love: I am not suggesting for a moment that you thought this was true, but you may well have had a conversation that went, “This could be possible. Can we make sure that we are submitting accurate results to LIBOR and the BBA?”

Marcus Agius: As I said, our greater concern was what was actually happening rather than the technicalities of LIBOR submissions.

Q652 Mr Love: Can I just return to something you said earlier on in relation to the sequence of events leading to the resignation of Mr Diamond? The FSA Final Notice was published on 27 June, but he did not resign until the following Tuesday, 3 July. What I really wanted to ask you is why he retained the confidence of the board, considering the serious nature of what was contained in the FSA report. You said that you received market signals that they wished to retain Mr Diamond and that shareholders were convinced he needed to lead the bank. Perhaps you could tell us what happened to the share price between Wednesday 27 June and Tuesday 3 July in those circumstances?

Marcus Agius: The share price came off, particularly on Friday, because of concerns about the further risk that might ensue from civil litigation. It fell.

Q653 Mr Love: You mentioned the clamour that there was around the fact that Barclays had been found guilty by these three regulatory authorities, and that that was putting pressure on the board and Mr Diamond. Don't you accept that that clamour also extended to the markets, which reflected that in your share price? Wouldn't there have been some concern from shareholders that already low share prices for banks were being squeezed even further by these events? How can you use those particular parts of the City institutions as a defence for the bank's decision?

Marcus Agius: It is not a defence; it is an explanation. What happened, as we all are in complete common agreement on, was abhorrent and should not have happened. Barclays, when it was first told about the inquiries, co-operated with them. As the inquiries evidently became more serious, our degree of co-operation increased. No one could have co-operated more. We spent as a bank more than £100 million in checking emails and translating Japanese, and so on and so forth. We could not have done more, and that is acknowledged in the submissions of the agencies.

Once we got to the point of settlement, we also recognised that we would have first-mover advantage. We could have dragged our heels; that would not have been right. We feel we did the right thing. The actions that happened were unknown to our Chief Executive. He played no part in it at all; he had no culpability. In those circumstances, particularly given that one of the agencies investigating this situation was the FSA itself, and which raised no concern in this respect, what we had to determine—and it was not easy—was what was the right reaction for the board to have.

As I said more than once, we rate highly Mr Diamond's talents as a banker. The achievements that he has had in his 16 years at Barclays are remarkable. The shareholders share that view, and indeed that was fed back to us through our stockbroker on Friday. I am not seeking to hide behind it, but if we do not listen to the views of our shareholders, then we are not doing our job as a board. That is why, when we got to the end of that week, we were in a very difficult position. We had tried to show that we accepted responsibility.

Q654 Mr Love: Don't you accept that the bank was totally out of touch? It took a meeting with the Governor of the Bank of England to get you to do the right thing. You say that Mr Diamond was totally innocent; Mr Diamond was at the top of an organisation that was proven by the FSA and others to have manipulated LIBOR submissions. If he did not know that this was going on, then that shows that he was incompetent as a manager. If he did know, then you should have taken the right decision as a board. Don't you accept any of those criticisms?

Marcus Agius: If you look at the consequences of the enormous inquiry that went on, it becomes clear that the only incidence of impropriety was what has been set out in the inquiry. It was not widespread. It was isolated and localised. Things happen in every organisation that should not happen. That is unfortunate and is absolutely reprehensible, but it cannot be denied that these things do happen. It seems to me what is important is how you react when you discover these things. We reacted, as I said, by co-operating with the authorities, by paying the fine, and by seeking for the senior executives to show responsibility. We felt that our response was proportionate.

What we did get wrong, quite clearly, was the extent of the public opprobrium that then ensued. That took us by surprise; I am quite prepared to accept that. More was needed, and that is why we held a board meeting on the Friday night, not to hear what the view of the media was but what the view of our owners, our shareholders, was. The view of our owners was that the outcome they did not want was for Bob Diamond to go. That is when I tendered my resignation.

Q655 Mr Love: That is not reflected in the share price. It does seem to me that what you are saying to us is that everyone else is wrong and the board was right. Yet you had to have the Governor of the Bank of England tell you what the appropriate thing was to do. Can I ask one final question?

Chair: One very quick question. Sorry, Mr Love—Mr Agius wants to add something.

Mr Love: Yes, of course. I do apologise.

Marcus Agius: No need for that. At the time we made the announcement on that Wednesday, we made it in the full knowledge that the FSA knew all the facts and that, if they had at that stage had any concerns about the senior management of our bank, they could not have possibly let that announcement go out without saying something. They did not. We relied on that. The attitude of the regulatory authorities changed between Wednesday and Monday.

Q656 Mr Love: Let me ask one final question. You indicated earlier on that the only remuneration that Mr Diamond would receive would be that proportion of his annual salary, something under £1 million. I understand that if we take pensions and benefits and all other additions, then we are talking about a sum probably in excess of £2 million. Can you just confirm to the best of your knowledge exactly what Mr Diamond will receive?

Marcus Agius: I have been guided by my colleague, and I may have misspoken earlier. He will get 12 months' pay and a cash payment in lieu of pension, which comes to around £2 million. If I may, Mr Diamond has volunteered to resign and Mr Diamond has volunteered to give up his entitlements that were otherwise due to him. As I have said already, he is someone who is well thought of by the shareholders, and many of our clients think well of him too. It is very important that we are able to access him to manage any relationships going forward that seem important where it is appropriate for him to do so.

Q657 Chair: I just want to clarify one other point that you gave in answer to me a moment ago, which was clear and helpful, with respect to the sequence of events leading to Mr Diamond's resignation. You told me that you discussed your conversation with the Governor with Mr Diamond.

Marcus Agius: I reported to him when I called on him at his house with Mike Rake.

Q658 Chair: Just to be clear—you told him that you had had a conversation.

Marcus Agius: Yes.

Q659 Chair: That you had discussed this with the Governor.

Marcus Agius: Yes, that evening.

Q660 Chair: Could you take a look at question seven in the evidence that we took from Mr Diamond? If you look at his reply, he said, “I think it is as simple as this. If Marcus had conversations with regulators, that is a conversation for him to have with you. I did not discuss that with him.”

Marcus Agius: Yes, but the question before talks about “any conversations with regulators over the weekend”. I did not have any conversations with regulators over the weekend.

Q661 Chair: You had a discussion with the Governor, didn’t you?

Marcus Agius: Not over the weekend.

Q662 Chair: So you think that Bob Diamond was picking up on the phrase “over the weekend”?

Marcus Agius: I can’t speak for Mr Diamond, but as I read that, he says, “I am trying to think if I had any conversations with regulators over the weekend.”

Q663 Chair: Do you think that a reasonable Parliamentary Committee might consider that reply a little misleading?

Marcus Agius: I am not seeking to mislead you.

Q664 Chair: You are not. Not your reply—the reply that we had at question seven.

Marcus Agius: I can’t speak to what Mr Diamond said, but what I told you happened.

Chair: It will look to us and, frankly, it will look to everybody listening, like another example of a complete lack of candour to Parliament by the Chief Executive of Barclays.

Q665 Stewart Hosie: You said a couple of interesting things, Mr Agius. You said in relation to Bob Diamond you might want to access him in the future to manage relationships, I think.

Marcus Agius: Yes, possibly.

Q666 Stewart Hosie: Does that mean that having been at the helm of a bank found guilty of rigging LIBOR, you are going to bring him back as a consultant?

Marcus Agius: With respect, he was not found guilty of rigging LIBOR.

Q667 Stewart Hosie: The bank was clearly found guilty of rigging LIBOR. That is what the FSA Final Notice says. You describe that as reprehensible, the same terminology Mr Diamond used.

Marcus Agius: I could use stronger language if you would prefer.

Q668 Stewart Hosie: No, that is strong enough. You also said it was local and isolated. It went on for three and a half years. That is what the FSA have found: from January 2005 until July 2008 it says in the Final Notice. Are the people in Barclays in denial of the scale of this?

Marcus Agius: No, not in denial of the scale of it, because although it went on for a long period of time, it was undetected. It should have been detected and should never have happened in the first place—all of that is absolutely clear—but it was not endemic across the

whole bank. It was isolated in one area that was under-monitored, for reasons I have tried to explain beforehand. That does not excuse it. I am trying to explain why it happened.

Q669 Stewart Hosie: Thank you for that. What we have been told throughout, though, is that Barclays were able to identify this manipulation in the LIBOR rates from other banks posting or making submissions that they would not have been able to borrow, if indeed they had been able to borrow at all. Did it never occur to you, the board or to senior management that you should look under the bonnet in Barclays to find out if it was happening in the bank?

Marcus Agius: It did not occur to us. As I said, our principal concern was the state of the funding market rather than the operation of the LIBOR market as a technical matter.

Q670 Stewart Hosie: I understand that was a concern. The context, as people say, was the middle of a crisis. We all understand that. If, in the context of a crisis, your colleagues were identifying LIBOR rates from other banks that were clearly wrong, and which may yet be investigated, why did it not dawn on anyone to ask within the bank?

Marcus Agius: If your question is whether we should have asked those questions, evidently we should have done, but as I said at the time we were more preoccupied—we were at a moment of existential risk.

Q671 Stewart Hosie: I am at a loss. I am trying to understand what is going on culturally within the bank. Given that Barclays are identifying this elsewhere, did the chair of the audit committee not say, “Perhaps we should look at this area?” Did the people responsible for your compliance procedures not say, “Perhaps we should look at this area?” Did the people responsible for the training of your desk supervisors not come up their management chain and say, “Perhaps we should strengthen there.” It just seems inconceivable that, when this has been recognised throughout the industry from within Barclays, no one sought to ask. That is extremely hard to believe.

Marcus Agius: As I said, the concern was not as to whether or not other banks may have been manipulating the rates or seeking to manipulate the rates. That was not the point. The point was that the market appeared to be malfunctioning, for whatever reason, and we heard yesterday in the testimony of Mr Tucker there may be other explanations as to why the market was malfunctioning. It does not really matter. What mattered was it left us looking exposed because our rates were higher. That was our principal area of concern. Our concern was that that might be misinterpreted by the market as implying that we were having more difficulty funding than we were.

Q672 Stewart Hosie: Therefore, it would have suited Barclays in terms of managing reputational damage for your LIBOR to be lower to be within the pack.

Marcus Agius: Yes, and clearly that decision was taken by people at a certain level, but it was at a level that did not come up to the board.

Q673 Stewart Hosie: So who would have taken that decision then?

Marcus Agius: I don’t know.

Q674 Stewart Hosie: So the Chairman didn’t know, the Chief Executive didn’t know and Mr del Missier has gone since, having misinterpreted—

Marcus Agius: That was in respect of a different part of the drama.

Q675 Stewart Hosie: Indeed. So somewhere someone is giving an instruction to manage the reputation of Barclays by lowering LIBOR submissions and no one in charge of the bank knows anything about it.

Marcus Agius: Yes.

Q676 Stewart Hosie: Can I ask, Mr Agius—you do understand how difficult the public will find it to believe that?

Marcus Agius: Yes, I do. It should not have happened.

Q677 Stewart Hosie: On this issue of other banks manipulating LIBOR, when did you first become aware that might be an issue?

Marcus Agius: As the investigation progressed. As I said, I was first made aware of the investigation proper in April 2010. It was then raised with our audit committee. Sir Mike Rake, who was chairman of the audit committee, was also informed at the same time as I was at the next regular meeting of the audit committee. It was also raised at the next meeting of the board, but at that stage, you misunderstand: our knowledge of what it all meant was quite limited, because as the investigation went on, more and more was discovered. Indeed, the intensity of the discovery and the intensity of the investigation increased quite sharply as we moved further through time.

Q678 Stewart Hosie: Although the bank was identifying rates that were clearly wrong in other banks, during the crisis in 2008 you were not aware of that issue or what anyone else in Barclays thought about that until the investigation started in 2010.

Marcus Agius: Correct.

Q679 Stewart Hosie: It sounds dysfunctional that such an important piece of information about an essential part of the banking infrastructure would not have been communicated to you, even in the general sense that there might be a problem with LIBOR.

Marcus Agius: We did not believe at that stage that there was a problem with what we were doing with LIBOR.

Q680 Stewart Hosie: Can I just go back a little with a final question? We were told by Bob Diamond that when the Paul Tucker phone call happened, and we have the file note, about discussions with people in Whitehall, he said he got in touch with John Varley, assuming the bank might be nationalised and asked John to speak to people in Whitehall. Did you ever discuss with John Varley what he may or may not be saying to people in Whitehall as a result of those conversations?

Chair: We will have to make this the last question.

Marcus Agius: I was not aware of that note or that that conversation had taken place with Paul Tucker until quite recently. Did I talk to John Varley about our anxieties about our funding and its perception? Yes, I did. Did I talk to him in detail about whether he had spoken to this Minister or this official? No, I did not. I had a lot of confidence in his ability to manage it and indeed that confidence, as history will show, was well founded.

Q681 Michael Fallon: Just coming back to the remuneration, could you just be clear whether Mr Diamond is getting any kind of pension enhancement or is he leaving simply with his accrued rights?

Marcus Agius: No, he never has had a pension. He has received a cash payment annually instead of pension, and he is receiving a final one of those.

Q682 Michael Fallon: So there is no enhancement?

Marcus Agius: No.

Q683 Michael Fallon: Just coming back now to the period of October 2008, were you aware of the Government's concern about Barclays' LIBOR submissions at this time?

Marcus Agius: No.

Q684 Michael Fallon: You had no conversations with any of these officials or anybody involved in the Government about LIBOR submissions?

Marcus Agius: No.

Q685 Michael Fallon: And Mr Diamond did not tell you about his discussions with the Bank of England?

Marcus Agius: No.

Q686 Michael Fallon: When did you first see the file note of this conversation?

Marcus Agius: I knew of its existence, I would think, probably either early this year or towards the end of last year.

Q687 Michael Fallon: One of the things that Mr Diamond explained back to Mr Tucker during the phone call was his concern that other banks were low-balling their LIBOR submissions, yet he told us at question 88 that he was unaware that his own staff—your own staff—were actually in dialogue with the FSA, and indeed with the BBA, which you are involved with, on this very issue.

Marcus Agius: Yes.

Q688 Michael Fallon: Isn't that rather odd?

Marcus Agius: If that is what he says.

Q689 Michael Fallon: Doesn't that strike you as rather odd?

Marcus Agius: The fact is that he was unaware, as indeed the board was unaware, that some of our people were doing this low-balling, to use your expression. That is a fact. What was of concern to him, even in ignorance of that other matter, was that the operation of the LIBOR market was drawing attention to Barclays and to the rates it was submitting, and we were running the risk, therefore, that we might be seen to be having more trouble with our funding than was in fact the case.

Q690 Michael Fallon: And you were not aware of these concerns from your other responsibilities at the BBA?

Marcus Agius: I was not on the BBA then.

Q691 Michael Fallon: You were not there then. I see. If Mr Diamond was worried enough to tell Mr Tucker this, why didn't he tell you?

Marcus Agius: That's a question for him. I would imagine, Chairman, there must have been many conversations taking place at this time. As we heard yesterday, the atmosphere was febrile. Everybody was very skittish indeed. It was very difficult.

Q692 Michael Fallon: If you were concerned, as you have just told us, that the bank's funding position should not be misinterpreted, and you were concerned about that,

why weren't you involved with Mr Diamond in telling your staff to get involved with the regulatory authorities as a matter of urgency?

Marcus Agius: For two reasons. One is I know there were many conversations, not all of which would have been reported to me. Separately because, for the avoidance of doubt—and maybe I should have made the point earlier—there is of course a distinction between what the board does and what the executive does. The executive is there to run the bank. The board does not run the bank. I stayed unusually connected with the senior management because of my concerns, but I did not make any executive decisions. That was not my job.

Q693 Michael Fallon: Were you as surprised as we were that, first, Mr Tucker's phone call seemed to have been misinterpreted by Mr Diamond, and then within 24 hours Mr Diamond's note of the conversation seems to have been misinterpreted again by Mr del Missier?

Marcus Agius: I was not party to that exchange at all. My view is no better or worse than anybody else's.

Q694 Michael Fallon: Do you not find it rather odd that these two misinterpretations should have taken place?

Marcus Agius: I only know what is on the record.

Q695 Michael Fallon: How often did Mr Diamond and Mr del Missier meet?

Marcus Agius: I imagine they met frequently. I know they met frequently.

Q696 Michael Fallon: You do not find it odd that they did not properly discuss this?

Marcus Agius: As I said, I have no knowledge of that exchange. My judgment on that is no different from or better than yours.

Q697 Michael Fallon: What do you think it says about your senior management team that instructions to manipulate LIBOR were not actually questioned?

Marcus Agius: Again, I was not party to that conversation.

Q698 Michael Fallon: No, but what do you think it says about your senior management team that the culture was such that nobody actually questioned it or approached the board, the compliance officers, the chairman of audit or whatever about it?

Marcus Agius: The only comment I can make is that such a situation must reflect the extraordinary circumstances that existed at that time.

Q699 Michael Fallon: So you think it is excusable?

Marcus Agius: That does not make it right, but I am seeking for an explanation not an excuse. You can ask me these questions, but as I said, I—

Q700 Michael Fallon: I am going to ask you these questions.

Marcus Agius: Yes.

Q701 Michael Fallon: But I am not getting an answer.

Marcus Agius: Repeat your question please.

Q702 Michael Fallon: The question is: what does it say about your senior management team that in the end an instruction to manipulate LIBOR was not questioned?

Marcus Agius: You are seeking to put me in Mr del Missier's shoes, which I do not think is right.

Q703 Michael Fallon: But you have overall responsibility for the culture of the bank. That is why you have resigned. Is there not something odd about the culture of the bank that nobody actually questioned this kind of instruction?

Marcus Agius: I think it reflects the extraordinary times that existed then.

Q704 Michael Fallon: It does not reflect your procedures?

Marcus Agius: No, of course not.

Q705 Michael Fallon: Or your compliance or your audit procedures?

Marcus Agius: Of course not.

Q706 Michael Fallon: Or the non-executives' role on the board?

Marcus Agius: It is as recorded. That is not behaviour that would be in the normal course. Of course it is not.

Q707 Michael Fallon: But you said subsequently, I think in earlier evidence, that you needed to take steps to strengthen compliance as a result of all this.

Marcus Agius: Yes.

Q708 Michael Fallon: So there must have been some weakness of procedures.

Marcus Agius: It became weak because the risk grew. They were appropriate for when the risk was negligible. As the risk grew, so the procedures needed to grow with it. They did not grow fast enough. That is evidently the case.

Q709 Michael Fallon: Was the LIBOR issue ever discussed at all at a board meeting?

Marcus Agius: No.

Michael Fallon: Thank you.

Q710 Teresa Pearce: You have talked us through the events of 27 June to 3 July, and you mentioned you had a telephonic conversation with non-executive board members.

Marcus Agius: I had two.

Q711 Teresa Pearce: Were they recorded?

Marcus Agius: No.

Q712 Teresa Pearce: You were the first person to resign, and you said earlier that you knew that the shareholders did not want the removal of Bob Diamond. Is it that you offered yourself up to save Bob Diamond?

Marcus Agius: No, I did not offer myself to save Bob Diamond. I was faced with a very difficult dilemma. I was faced with a situation where Barclays believed they had behaved properly in pursuing the inquiry—they believed they had paid the fines that were due to be paid, that they were going to pursue the people who had done wrong, and that there was a degree of responsibility shown by the senior executives—but it was not enough. What further options did we have? Clearly, one option would have been for Mr Diamond to go, but it was made very clear to us by our stockbroker that that was the outcome our shareholders, our owners, did not wish to see. In those circumstances, I thought it better to offer myself.

Q713 Teresa Pearce: But what research did your stockbrokers do with your shareholders to give that decision? They surely could not have had a shareholders' meeting or actually canvassed the opinion of every shareholder.

Marcus Agius: No, they did not.

Q714 Teresa Pearce: They were just expressing a view.

Marcus Agius: They were expressing an informed view. The job of a corporate stockbroker is to be close enough, both to the company and to its principal shareholders, that they understand how the shareholders view the company at any point in time.

Q715 Teresa Pearce: Given that we have heard that the compliance section did not know what was happening, the board did not know what was happening and Bob Diamond did not know what was happening, would you accept that any report given to shareholders would not have been a full view of how Barclays was operating? The shareholders had in fact made decisions at shareholders' meetings without full information.

Marcus Agius: Ms Pearce, I would not accept that because the discussion with the stockbroker that I am referring to took place on Friday night, by which time the full transcripts of all the findings of the three agencies had been published. That information was in the public domain.

Q716 Teresa Pearce: I accept what you are saying about the Friday night, but at previous Barclays shareholders' meetings, they would not have known what was going on in Barclays. Yet they had to make decisions about remuneration. Surely that is not right.

Marcus Agius: I think Mr Rumsfeld had some views on things like this. You do not know what you do not know, I am afraid.

Q717 Teresa Pearce: Exactly. Could we just move on? You told us that you had a conversation with Mr Diamond and he was given time to talk to his family, and he came back and he resigned. Had he not resigned, would you have sacked him?

Marcus Agius: As I said, when we left his house I did not know whether he had already resigned or whether he decided to resign after we had told him what we told him. I do not know, because we hardly exchanged any words.

Q718 Teresa Pearce: But had he not resigned, is it your view that the board would have sacked him?

Marcus Agius: That is a hypothetical question. I left his house confident that he would resign, if he had not done so already. You can imagine it was a busy night. I came back from the Head Office and we had myriad practical things to do. During the course of the evening there were discussions between Bob Diamond, his lawyers and our lawyers, and the terms of the announcement were settled.

Q719 Teresa Pearce: You mentioned earlier that he gets 12 months' pay. Does he have a 12-month notice period in his contract?

Marcus Agius: He has a six-month notice period in his contract.

Q720 Teresa Pearce: But he is getting 12 months' pay?

Marcus Agius: He is getting 12 months.

Q721 Teresa Pearce: Is he working his notice? Is he on gardening leave or did he leave immediately?

Marcus Agius: He is going to make himself available.

Q722 Teresa Pearce: So he is on gardening leave.

Marcus Agius: I do not know how you define gardening leave.

Q723 Teresa Pearce: If you look at his contract and he has a six-month notice period, he either gives six months' notice or he breaks his contract and leaves immediately, in which case he is not entitled to any notice pay, so he must be on gardening leave.

Marcus Agius: If that is what you want to call it. What is more important to us is that, as I said, he has volunteered to go; he has volunteered to give up his money.

Q724 Teresa Pearce: He has a six-month notice period, but he is getting 12 months, so he is getting an enhanced notice.

Marcus Agius: We want to retain such goodwill as we can retain with him in the circumstances in order that the bank is not disadvantaged as a result of his having left in these circumstances. What I tried to convey to you earlier is that his going in this way is not something that meets with universal approval by all constituencies.

Q725 Teresa Pearce: So he is getting double the notice period that he is entitled to. He is getting 12 months, not six.

Marcus Agius: He is getting 12 months.

Q726 Teresa Pearce: You mentioned April 2010 was when you first knew about this. A voluntary disclosure was made to the FSA. Was that not approved prior to that with the board? You have said that the board did not know about LIBOR, but surely a voluntary disclosure to a regulator is serious enough. It has resulted in fines, £100 million of costs, resignations of senior people and possible criminal charges, but it was never reported to the board.

Marcus Agius: The facts are as they have been stated.

Q727 Teresa Pearce: What does the board do if it does not monitor and is not told of such serious things?

Marcus Agius: To be clear, in April 2010 the seriousness of—

Q728 Teresa Pearce: But it was a voluntary disclosure. £100 million of fees were incurred—

Marcus Agius: Not in April 2010.

Teresa Pearce: Eventually, but at no point was this—

Marcus Agius: Eventually but, as I said, if you will forgive me, the intensity of the inquiry, the seriousness of the events that took place and the extent of our co-operation all escalated from April 2010 onwards. At that point, we were alerted that there was a problem, but it was not, at that stage, known to be as serious a problem as it subsequently came to be seen to be.

Q729 Teresa Pearce: One of the responsibilities of the British Bankers' Association is to monitor LIBOR. Is that correct?

Marcus Agius: The British Bankers' Association owns a company called LIBOR Ltd. LIBOR Ltd is the organisation that operates LIBOR. Although it is wholly owned by the

British Bankers' Association, it is under separate and distinct governance. It has its own board of directors, and the board of the BBA has no influence over it.

Q730 Teresa Pearce: But the BBA is responsible for monitoring LIBOR. According to the letter to me in March, they have said, "All submissions by contributors are monitored by the BBA."

Marcus Agius: If that is what the letter said.

Q731 Teresa Pearce: When you accepted your role as Chair of the BBA, you knew your bank was under investigation for manipulating LIBOR.

Marcus Agius: I did, yes.

Q732 Teresa Pearce: Did you have conversations with them about that? Did you think it was appropriate to chair the BBA?

Marcus Agius: No, because the existence of the inquiry was widely known. It was known to the BBA.

Q733 Teresa Pearce: Your own bank was under investigation for manipulation.

Marcus Agius: As were many others.

Q734 Teresa Pearce: Your own bank was under investigation for manipulating LIBOR and the BBA is responsible for monitoring it, and you accepted the role of Chair. Did you not see that as a conflict?

Marcus Agius: It would be a conflict if there was any direct active involvement or direction given by the BBA board to LIBOR, which is not the case.

Q735 Chair: You are distinguishing between this independent company, which is a company that is wholly independent of the BBA.

Marcus Agius: Yes, I am.

Q736 Chair: Therefore, you carry no responsibility as Chairman of the BBA for the actions of that company.

Marcus Agius: Nor did anybody else on the BBA board have any influence over its actions.

Q737 Chair: You have no responsibility or accountability for the actions of that limited company.

Marcus Agius: It has separate governance.

Chair: It is very helpful to have clarification on that point.

Q738 Mark Garnier: Thank you very much, Chairman. Just a quick question to satisfy my curiosity: you referred to the corporate broker a bit earlier. Who is your corporate broker?

Marcus Agius: It is Credit Suisse First Boston.

Q739 Mark Garnier: Thanks very much. Mr Agius, when did you last apprise yourself of the role profile for the Chairman from the *Corporate Governance in Barclays* document, which you wrote the foreword to, from the Barclays corporate secretariat in February 2012?

Marcus Agius: The technical answer to that question would be every time I give my approval to the report and accounts, because it is part of the report and accounts.

Q740 Mark Garnier: This is something you would look at once a year.

Marcus Agius: It is something I would look over once a year.

Q741 Mark Garnier: The reason I ask is that, on a number of occasions—in fact, in answer to Mr Fallon’s question—when asked if LIBOR fixing was discussed at the board level, you said it was not. Would you like to respond to that?

Marcus Agius: The existence of the inquiry was made known to the board. Again, as I said, the process evolved as it went forward. There was a technical problem, which was that, early on, Bob Diamond had been identified as a potential witness, were there to be any subsequent action. Therefore, as time went by, the more detailed briefing was done in two different ways.

Mark Garnier: We are slightly straying from where I was going on this, and I do not mean to interrupt you.

Marcus Agius: I thought what I was saying might be helpful to the Committee.

Q742 Mark Garnier: It is helpful, but I am trying to get at two questions. First of all, is the Compliance Director a member of the main board of Barclays?

Marcus Agius: Compliance comes under Mark Harding, who is the Chief Legal Officer, and he sits in on all board meetings.

Q743 Mark Garnier: So he is the Legal Officer and he sits on the main board.

Marcus Agius: No, he does not sit on the main board. He attends all the—

Q744 Mark Garnier: So you do not have a compliance representative on the main board of the bank.

Marcus Agius: We have Mark Harding, who attends all the board meetings.

Q745 Mark Garnier: Who is the director on the main board of Barclays bank with responsibility for the compliance function of the organisation?

Marcus Agius: That would also be the Finance Director, Chris Lucas.

Q746 Mark Garnier: The Finance Director doubles up as compliance officer. Gosh, that is quite a big job, isn’t it?

Marcus Agius: That is why the separate function, under Mark Harding, is there.

Q747 Mark Garnier: The problem is that one of the roles, in this role profile for the Chairman, is “to facilitate and encourage active engagement and appropriate challenge by members of the board, particularly on matters of risk, strategy and other major proposals, by drawing on your direct skills, experience, knowledge and, where appropriate, independence”. What troubles me about this is that there does not seem to be any really specific compliance function reporting to the board.

Marcus Agius: We have a separate risk committee, where all compliance matters are reported in to. David Booth, the Chairman of the Risk Committee, who is a non-executive director, chairs that committee. It meets several times each year, and all matters of compliance are pushed up into that committee.

Q748 Mark Garnier: Let us go to the other end of the problem. I would like to refer to, if I may, period 1, which is prior to the crisis. This is the swaps manipulation or the attempted manipulation of LIBOR rates by the swaps traders in New York. We have heard a great deal about them; they have been characterised as spivs and wide-boys, but let us say they are hot-blooded, enthusiastic swaps traders in New York trying to manipulate the LIBOR rates. Bob Diamond, in his evidence, said there were 177 occasions when emails had been sent by these swaps traders trying to manipulate the LIBOR rate. What I did not really get a satisfactory answer from Bob Diamond on is, it is one thing that you may have a compliance risk within the swaps trading department but, as the FSA said in their report, paragraph 147, “Barclays had no specific systems and controls in place.” You can refer to my question, 212, of your copy of the transcript.

Marcus Agius: 212?

Mark Garnier: Yes, the second paragraph: “The FSA final notice, paragraph 147, says: ‘Barclays had no specific systems and controls in place relating to ... LIBOR and EURIBOR.’” Then it goes on in paragraph 148—

Marcus Agius: Sorry, paragraph 148?

Mark Garnier: Sorry, yes. It is further on in that paragraph; I am just referring to something else. “Barclays did not believe the submission of LIBOR was an area of significant risk.” What troubles me is that you said a bit earlier that your compliance function is more intense on the areas where you have significant risk.

Marcus Agius: Greater perceived risk.

Q749 Mark Garnier: Would the swaps desk in New York be an area of specific or greater compliance risk?

Marcus Agius: More than the LIBOR submitters, yes.

Q750 Mark Garnier: There was an article written by a whistleblower in *The Independent* on Saturday. Did you have a look at that?

Marcus Agius: I have not seen that.

Q751 Mark Garnier: I will abridge for you some of the key phrases or the key lines. It talks about a “culture of fear” within Barclays and, in one statement, or at one point, the whistleblower says, “LIBOR fixing was escalated by several people up to their directors; they would then have escalated it up the line because, at Barclays, if you don’t escalate ... you will be dismissed.” There is a culture described of fear within the bank, and there is a requirement by individuals within the organisation to escalate any problems that they see to their line managers. Presumably line managers would push it further up the line. Presumably at some point it would hit the compliance department. What troubles me is that, on 177 occasions, the swaps traders in New York were emailing the rate setters, or the rate fixers in London, where there was estimated to be no compliance risk. Those rate fixers apparently did not get back to anybody. They neither passed it up the line that they were being asked to manipulate LIBOR, nor did they bounce it straight back to those swaps traders in New York to say, “You can’t do this.” What does that say about the organisation of the compliance function within your bank?

Marcus Agius: That says that, in that area, there was a failure. We acknowledge that and it should not have happened.

Q752 Mark Garnier: But how did it get to happen? I am afraid I am going to come back to this role profile, because, looking at this in particular, it specifically talks about your personal job, under governance, as being to “promote the highest standards of corporate

governance, seeking compliance with the provisions of the UK Corporate Governance Code (the UK Code) wherever possible”—that is not necessarily the FSA but, nonetheless, it is all about compliance—and to “ensure that the board is able to discharge its duties and comply with the requirements of statutory/regulatory bodies that affect the functioning and responsibilities of the board.” On top of that, “The Chairman will also demonstrate ethical leadership and uphold the highest standards of integrity and probity, setting clear expectations concerning the Group’s culture, values and behaviour.”

Marcus Agius: As I said, the activities behind what happened in phase 1 cannot be excused, full stop. That is an absolute statement. What I can also say, in mitigation, I guess, is that, as I said, we spent £100 million looking to see whatever we could find. No other examples were found of similar behaviour. This was an isolated area.

Q753 Mark Garnier: Does it not strike you as odd that senior managers, yourself included, are coming to us and saying that before 2009 they knew nothing about anything that was going on—or 2008, sorry?

Marcus Agius: It should have come up. It did not. That was wrong.

Q754 Mark Garnier: I appreciate the statement that you do not know what you do not know, or you cannot know what you do not know, whatever it is, but nonetheless the whole purpose of the compliance function—I really want to concentrate on this point—is to ensure that this type of thing does not happen.

Marcus Agius: It failed. It failed and that was wrong. It cannot be excused.

Q755 Mark Garnier: You also said a bit earlier that, in an unofficial aside, the FSA inspector, as you were walking him or her to the lift, said that yours was one of the best.

Marcus Agius: The best.

Mark Garnier: The best compliance function.

Marcus Agius: They said that our governance, of the banks that were supervised by her, was best in class.

Q756 Mark Garnier: How many did she supervise, do you know?

Marcus Agius: I imagine that she supervised the big banks.

Q757 Mark Garnier: Are we having a conversation here at the dawn of a huge revelation of a colossal banking scandal that has been going on, under our noses, for years?

Marcus Agius: I sincerely hope not. I sincerely hope that we are here, and not enjoying it for one minute, for the consequences of an isolated series of actions, in two different buckets, one of which was fundamental wrongdoing.

Mark Garnier: By your swaps traders and your LIBOR fixers.

Marcus Agius: In the clearest possible terms. The second one was some defensive action taken by some people in extraordinary circumstances, in the financial crisis. They are two different things. Neither of them is permissible and neither of them is condonable.

Q758 Mark Garnier: We do know, though, that the cancer has spread through the banking system in period 1, because of course some of your ex-employees of Barclays have taken the rot elsewhere.

Marcus Agius: Yes, but I do not know what happened or what will be discovered from inspecting other banks. I do not know, not surprisingly.

Q759 Chair: On that last point, Mr Agius, paragraph 82 of the FSA Final Notice—and I am sure you have read it very carefully, and I can read it out to you, but do take time to read it if you want; it is right at the top of the page—says “At least 12 of the ... LIBOR requests made to Barclays’ submitters were made on behalf of external traders that had previously worked at Barclays and were now working at other banks.” Does that suggest to you that it was the culture of Barclays infecting other banks?

Marcus Agius: I cannot comment on that. I am not in a position to form a view on that.

Q760 Chair: Why not?

Marcus Agius: Because there may be other reasons, too.

Q761 Chair: Could you just suggest one or two?

Marcus Agius: You are saying that is an interpretation you could make. I can understand how you could make that interpretation. I cannot comment as to whether it is a fact.

Q762 Andrea Leadsom: Mr Agius, can you tell me how you would define “culture” as a word? In the context of Barclays, what is culture?

Marcus Agius: What is Barclays’ culture?

Andrea Leadsom: No, what is culture?

Marcus Agius: What is culture? Culture is the way in which you behave instinctively.

Q763 Andrea Leadsom: Throughout the bank or from the top?

Marcus Agius: Throughout the bank. I think it is a word that can be used for universal application.

Q764 Andrea Leadsom: So it should be something that is used throughout the bank. The reason I ask you that is because I believe there are 130,000 employees at Barclays worldwide.

Marcus Agius: A bit more.

Q765 Andrea Leadsom: How many of them are involved in investment banking activities versus retail banking activities?

Marcus Agius: A significant minority.

Q766 Andrea Leadsom: What, sort of 20% to 80%?

Marcus Agius: I would think there must be three-quarters of the bank that is not investment banking, perhaps even more.

Q767 Andrea Leadsom: In terms of the bank’s balance sheet, how much of the bank’s activity is in investment banking versus retail banking, in terms of capital employed?

Marcus Agius: About half.

Andrea Leadsom: About half and half?

Marcus Agius: Yes.

Q768 Andrea Leadsom: What impact do you think what we are seeing about Barclays’ culture has had on the, as you say, 75% of people who work in Barclays retail bank? Is there anything you want to say about that?

Marcus Agius: Yes, it must be absolutely appalling and I am extraordinarily uncomfortable, and I am sorry that that is the case. I have made that absolutely clear, unequivocally.

Q769 Andrea Leadsom: I wanted to give you that opportunity, because certainly I, and I am sure colleagues, have had lots of letters from people who work an honest day's work in a branch, not earning a huge amount of money, or indeed in a call centre, for whom this is utterly appalling. I do think this is terribly important. When we are talking about the culture at Barclays, we are talking about from the top, and a very specific area of Barclays that excludes all of the over 100,000 people, as you have put it, in Barclays who are doing an honest day's job.

Marcus Agius: Absolutely, Ms Leadsom. I would be very keen to dissociate the activities of a tiny minority of people, whose behaviour was completely reprehensible, and say that that does not, of itself, represent the wider culture at Barclays. I do not believe that it does. I absolutely cannot believe that it does.

Q770 Andrea Leadsom: Okay, but going back to the issue of culture, because this is terribly important, isn't it, as long ago as 15 September 2010, when Hector Sants wrote to you in response to your request for Bob Diamond to be made Chief Executive, he says to you, "You have identified Bob Diamond's relative lack of direct retail banking experience, not withstanding his role on both the Group Executive and Board ... We look to be satisfied that the required focus on the retail banking business and consumer outcomes is maintained by him." Do you think that he did that?

Marcus Agius: Yes, I do.

Andrea Leadsom: You think he kept the focus on the retail and consumer outcomes.

Marcus Agius: Yes.

Q771 Andrea Leadsom: Can you tell me: why did Martin Taylor resign as Chief Executive?

Marcus Agius: To be perfectly honest, I do not know the full circumstances. It was before my time.

Q772 Andrea Leadsom: Did you see his article in the *Financial Times* yesterday?

Marcus Agius: I did.

Q773 Andrea Leadsom: He says he resigned because Bob Diamond pressed for bank lines to Russia so that he could expand the BarCap exposure, the trading exposure, into Russian debt, and he, Martin Taylor, halved that exposure that was applied for at the Credit Committee, through the normal procedures; then when the Russian debt crisis happened, he was informed that, in fact, Barclays' exposure was far, far greater than the credit lines actually permitted, on the grounds that credit had been falsified as being European as opposed to Russian debt. How does that make you feel about the situation? Was Bob Diamond a suitable person to be in the post of Chief Executive creating this culture?

Marcus Agius: I do not think it would be fair for me to comment on that situation, since I do not know all the facts and I would not want to jump to conclusions. What I can do is answer the question you did ask, which is of the suitability of Bob Diamond as Chief Executive, which is something we have been through before. As I said before, in my conversation with Hector Sants at the FSA, he was very clear: "If we had a problem with Bob Diamond being Chief Executive, we would not be happy with him being where he is at the moment, and we are." That is not to say that we rely on somebody else's say-so. We rely on

what we see in front of us. What we have seen, and it is one of the reasons why we are keen to retain Bob in position, is his extraordinary achievement as a business partner.

Q774 Andrea Leadsom: Notwithstanding his excellence in business, is it appropriate that somebody should bend the credit approvals in the way that happened over the Russian debt? Assuming what Mr Taylor says is correct, is it appropriate? Is that in line with Barclays' procedures? Could somebody else get away with marking Russian debt as, in fact, Swiss or French or whatever it was marked as, with no consequences, and in fact end up being promoted to the role of Chief Executive?

Marcus Agius: As I say, I do not know the details of what happened. I cannot comment extensively, but if your question is "Should people maintain integrity at all times?" the answer is "of course".

Q775 Andrea Leadsom: You would accept then that, if it is the case, as Martin Taylor, the ex-Chief Executive, says it is, that further exposure was wrongly assessed as Western European debt that should have been marked down as Russian debt—

Marcus Agius: I do not know that that is the case. I think I would like to know the full facts. You have heard one side of the story; I do not know what the other side of the story is.

Andrea Leadsom: Okay, coming back then to Jerry del Missier—

Q776 Chair: Sorry, just before we go on to that, if you do not mind, Andrea, before you appointed Bob Diamond Chief Executive, didn't you think that it would be appropriate to examine very carefully what had happened on that deal, bearing in mind how much had been lost?

Marcus Agius: I was not aware of that deal at the time.

Q777 Chair: You were not aware at all. You were not aware that the bank had lost a lot of money as a consequence of a controversy that arose as a result of debt instruments taken on to Barclays' balance sheet that, prior to the collapse of Russia—the Russian debt crisis—people thought was West European debt.

Marcus Agius: Mr Chairman, I do not know the full circumstances that have been described. We have heard one side of the situation in an article in the newspaper. I would have relied on the fact that, if there had been anything that was untoward or something that should be brought to my attention, it would have been brought to my attention.

Q778 Chair: Whose responsibility was it, within Barclays, to have brought that to your attention?

Marcus Agius: That would have been—I do not want to trivialise it—the system, either the legal system, the HR system or the compliance system. It should have been brought to the board.

Q779 Chair: Try to pin that down a little, because you have just described all the safeguard mechanisms in a bank.

Marcus Agius: I understand that, but if there was some lingering reputational concern, deep in the history of the bank, that was of sufficient language as implied, then that would have been brought to my attention.

Q780 Chair: What kind of due diligence did you do before making this appointment internally?

Marcus Agius: The due diligence of Bob Diamond having worked in the bank for 16 years.

Q781 Chair: It does not seem to have been thorough enough even to alert you to the existence of this controversy.

Marcus Agius: As I say, I do not know how serious or otherwise that matter was.

Q782 Andrea Leadsom: I would just like to reiterate that you yourself raised Bob Diamond's relative lack of retail experience.

Marcus Agius: It was raised by Hector Sants and, indeed, it was a fact.

Andrea Leadsom: Hector Sants signs the letter and says, "You have identified"—this letter is to you—"Bob Diamond's lack of direct retail banking experience." My concern there is that here you have somebody who, effectively, was the reason why Martin Taylor left the bank, if Martin Taylor's report in the *FT* yesterday is accurate. He felt that somebody had been allowed to get away with, effectively—I do not want to put words in his mouth—changing the system: not using the appropriate system for reporting credit outstanding. Not only that but, in the end, when the market came good and was to the benefit of the Group, Mr Diamond got paid a bonus as a result of the debt being marked back as now being good. I just leave the thought with you that, if you were unaware of that issue and if that did not come up at the point when you were looking to recruit him, particularly bearing in mind you yourself raised the fact that there was a concern over his retail experience, I would have thought there was also a concern over his integrity on that issue.

Q783 Chair: Isn't this another example of Barclays' culture being amiss or there being something amiss with it—that this did not come up, as you put it, through the system?

Marcus Agius: As I say, I need more sight of how serious that actually was, whether it is as described or not. I am sorry; you also raised the question of retail experience. The reason for raising that is self-evident. The job for which he was being appointed was Chief Executive, i.e. executive in charge of all the affairs of the bank. The extent to which he did not have hands-on experience in the retail bank was something that would need to be monitored, and we needed to form comfort that the bank would not in any way suffer from that relative lack of experience. As it happens, in managerial terms, and I hope the people on that side of the bank do not feel unhappy from my saying it, it is a relatively simpler matter to manage a retail bank than it is to manage an investment bank. The concern was not an extreme concern, but it was a concern nonetheless.

Q784 Andrea Leadsom: I think that is an interesting point, because this Committee has, many times over the last two years, certainly since I have been on it, raised the issue of the importance of retail banking to the real economy in the UK. Effectively, here is Barclays taking on somebody when the board itself, the Chairman himself, has concerns about their lack of direct retail experience. Here you are putting one of Britain's great institutions into the hands of somebody, when you yourself have concerns about his retail experience.

Anyway, I would like to go on, Mr Agius, because I would like to ask you about Jerry del Missier's appointment. I think you said earlier that the audit committee first raised the issue of LIBOR manipulation in the inquiry in April 2010. Is that right?

Marcus Agius: The fact that there was an inquiry into affairs at LIBOR was raised in fairly general terms in April 2010, and the degree of detail became evident as time went by.

Q785 Andrea Leadsom: Did that highlight both the criminal LIBOR fixing as well as the market-related fixing in trying to avoid getting into trouble with the Government?

Marcus Agius: You will forgive me if I struggle a bit here as to whether the first indications were the second or the third. I think it was the second and third, and the first then came out subsequently.

Q786 Andrea Leadsom: You do not think that the criminality aspect of it was made—?

Marcus Agius: That was the whole point. The LIBOR inquiry was into the low-balling, to use the expression that seems to be current in this Committee. The CFTC started that inquiry into low-balling. We co-operated with that. As we searched through our records, as we searched through our emails and searched through our voice recordings, we discovered the criminality, to use your expression. Instead of sitting on that, we naturally disclosed that, and we in fact then turned up the volume, or whatever the expression is, on the low-ball activity we did to see just how much we could uncover, and we left no stone unturned.

Q787 Andrea Leadsom: When would that have been? When would it have been that you were first aware of the potential criminality?

Marcus Agius: My recollection was that that was in the early months of 2011.

Q788 Andrea Leadsom: Okay, so long before the report came out from the FSA, where Mr Diamond says he only knew about it a month ago. You knew about it in 2011.

Marcus Agius: Mr Diamond was off-side, as I have made clear. Because he was a potential witness, he was excluded from all considerations of these matters.

Q789 Andrea Leadsom: He was not aware that there was concern within the bank that there may have been criminality. He was completely excluded from any knowledge that that might be the case.

Marcus Agius: He was simply aware that there was an inquiry into LIBOR.

Q790 Andrea Leadsom: He had no idea that there might be criminality involved.

Marcus Agius: I believe that is the case.

Q791 Andrea Leadsom: You believe that is the case, okay. The audit committee told you, in April 2010, that there was an inquiry going ahead.

Marcus Agius: It was not the audit committee who told me. It was our Chief Legal Officer who told us that. Our Chief Legal Officer, Mr Harding, told me that. He reported it because he was the person who was liaising with the process. He told me and he told Mike Rake. It was then raised as a standard matter at the next audit committee and at the next board.

Q792 Andrea Leadsom: Just a week before the publication of the FSA, CFTC and Department of Justice reports on Barclays and LIBOR manipulation, Jerry del Missier was promoted to Chief Operating Officer—just a week before. By that time, you would have known that he was the person being cited as having erroneously misunderstood, misinterpreted, the phone call between Bob Diamond and Paul Tucker.

Marcus Agius: Yes.

Q793 Andrea Leadsom: Why would you have promoted him just a week before that report came out? Did that seem like a sensible thing to do?

Marcus Agius: We debated that very carefully, as you would imagine. The factors that were in our mind were, first of all, whether it was a genuine misunderstanding or not, and secondly, because it was even better for them to ask whether the FSA concluded the same thing. The FSA specifically said there was no issue to raise in respect of Jerry del Missier's behaviour.

Q794 Andrea Leadsom: You did not consider how it might be viewed by the public.

Marcus Agius: Yes, we did.

Q795 Andrea Leadsom: When Mr del Missier says, "We intend to make Barclays the industry benchmark for operational excellence and control in the new economic and regulatory environment," was that a joke?

Marcus Agius: I do not think that was a joke.

Q796 Andrea Leadsom: Going back to the issue of compliance, we did not get very far with Mr Diamond in terms of how the compliance office should have been raising this issue of LIBOR manipulation. Here I am referring again to the criminality. Mr Diamond suggested that a compliance officer might sit in the dealing room from time to time. Can you shed any further light on that? Was there a compliance officer in the room? Where does Mark Harding sit, for example?

Marcus Agius: Mark Harding sits in head office.

Q797 Andrea Leadsom: That is not where the dealing room is now.

Marcus Agius: That is not where the dealing room is.

Q798 Andrea Leadsom: Is there a compliance officer at all times in the dealing room?

Marcus Agius: In the early stages, I imagine there was not.

Q799 Andrea Leadsom: "In the early stages" being when?

Marcus Agius: I would need notice of the precise compliance procedures in the dealing room at that period. What I said earlier was that the control of the LIBOR submissions and the LIBOR process was slight, because it was perceived, in the early days, that the risk to the bank, the risk area, was slight.

Q800 Andrea Leadsom: At what point would that have been tightened up then? What date would the compliance procedures have been tightened up?

Marcus Agius: As the inquiry went on.

Q801 Andrea Leadsom: What date would a compliance officer have been posted in the dealing room to make sure that there was no other fraudulent activity?

Marcus Agius: I would need notice for that question. I can come back to you and provide the answer, if you like.

Q802 Andrea Leadsom: Would that be minuted somewhere in board minutes—"As of now, we feel the need to post somebody in the dealing room"?

Marcus Agius: It would be recorded. I would need notice of that.

Q803 Andrea Leadsom: It would be very helpful to know exactly when that happened. In spite of the fact that a compliance officer would have been present in the dealing room from time to time, and that desk supervisors, clearly from the reports from the FSA and CFTC, were aware of the criminal manipulation of LIBOR, do you agree with Mr Diamond that obviously they just never, in spite of the fact that they knew they were supposed to, escalated it beyond their level? Do you agree that that is the case?

Marcus Agius: That was the failing.

Q804 Andrea Leadsom: You agree that, in spite of the fact that desk supervisors and compliance officers would absolutely know that, according to Barclays' compliance procedures, they must escalate any knowledge that they have of wrongdoing, they failed to do so.

Marcus Agius: That was a failure.

Q805 Andrea Leadsom: Going back to this whistleblower, he or she says very specifically, as was referred to by Mr Garnier, "LIBOR fixing was escalated by several people up to their directors; they would then have escalated it up the line because, at Barclays, if you don't escalate ... you will be dismissed." Why do you suppose they did not escalate it?

Marcus Agius: I cannot comment on that.

Q806 Andrea Leadsom: But that is the failure.

Marcus Agius: That was the failure, yes.

Q807 Andrea Leadsom: Who is responsible for that failure?

Marcus Agius: It is because of that failure that we are sitting here.

Q808 Andrea Leadsom: One final question: you say that you do not know what date the board finally recognised there was a failure that needed to be put right. Since that date, to be advised to the Committee, what steps have you taken to look at other areas of self-certification of fixings, for example the ISDA daily fixing, which is another self-certification, or for example the gilt-edged auctions? Have you looked at other parts of markets that may be open to distortion as well?

Marcus Agius: One of the things that we put in our announcement last week was that we are now going to engage in a root-and-branch examination of all of our practices to make sure that there is nothing anywhere that we would, in any sense, be unhappy about.

Q809 Andrea Leadsom: That is as a result of the Treasury Select Committee inquiry, not as a result of your own internal procedures.

Marcus Agius: That is in order to try to restore confidence that the systems we have are as they should be, internally and externally.

Q810 Andrea Leadsom: I just want to clarify: did you not think it might be important to carry out that audit following the realisation of wrongdoing within the bank? You only just announced that last week.

Marcus Agius: The existence of the criminality, as I said, was revealed to us relatively late in the day.

Chair: It seems we are finding out a great deal from these exchanges this morning that we should have found out a week ago from Mr Bob Diamond. We are grateful for that.

Q811 John Thurso: We have met socially and I believe you to be a man of personal honour, so I am sure you are finding this a very difficult time. What, with the benefit of hindsight, would you have done differently?

Marcus Agius: It is a question I have asked myself. I am not happy to be where I am, as you can imagine. I have gone back and thought about each of the different inflection points—each of the different forks in the road that I have come to. I have tried to see how I and others have acted at each different point. It is very difficult, as you go back, to say what you would have done differently. It is a concatenation of events that has led us to where we are.

Lord Thurso, if I may, one of the things that distresses me most about these exchanges and this week is that of course this activity should not have happened. Of course it should not have happened. No one is saying it should; everyone was absolutely appalled by it. What do you do when you hear about it? What you do when you hear about it is you take action. We could not have responded more fulsomely. You used the expression yourself, Mr Chairman: we are suffering from first-mover disadvantage. We are moving heaven and earth to put everything right. What I am finding most trying is the thought that the actions of this relatively small number of people, who were the only people we identified despite spending £100 million investigating it, should be taken to be indicative of the culture of the entire organisation. That is why Ms Leadsom says that she gets letters from constituents who work in the retail bank expressing their dissatisfaction; of course they do, because we are all in exactly the same place. 99.9% of the people in the bank are appalled by what has happened. I cannot say it more strongly than that.

Q812 John Thurso: Do you believe that Barclays has been misunderstood?

Marcus Agius: Barclays has been around for 300 years. I would like to think it would be around for another 300 years. It has a history, a proud history, of people who have done well for society and for their customers, and we are very much a customer-centric organisation. I imagined someone was going to ask me at some point to describe the culture at Barclays. The answer I would have given would be that the culture is honest, it is customer-centric and it is competitive. Those three things: honest, customer-centric and competitive. Honest, because that has to cover everything we do in our dealings. Customer-centric, because we operate in a very competitive world. We perform a service. People have choice. They do not have to come to us; they can go elsewhere. They will only come to us if we deliver what they want, and that is why we have a competitive spirit, which is good. Roger Federer has a competitive spirit; it is applauded. We want to do the best by our customers and do the best by our shareholders in consequence, and we do. The third thing, as I say, is we are competitive, so honest, customer-centric and competitive.

Q813 John Thurso: Can I just test that a little bit? You said in an earlier answer, when asked about culture, that it is what people do when they behave instinctively. I think you are absolutely right. How does an investment banker behave instinctively?

Marcus Agius: A good investment banker is, at all times, trying to think how well and, it goes without saying, honestly to serve his client.

Q814 John Thurso: Is not the instinctive behaviour of merchant and investment bankers one of seeking to create profit through trading and dealing?

Marcus Agius: Part of that is, yes.

Q815 John Thurso: By contrast, is not the instinctive behaviour of the traditional high street banker one of seeking profit through giving advice and service to customers in the branch?

Marcus Agius: Yes, and I think the same applies in the investment bank, too.

Q816 John Thurso: Do you not see that it is possible to say that there is a quite separate, for good reasons on both sides, set of cultures between those two types of banking operation?

Marcus Agius: If you are trying to suggest that investment bankers are not customer-centric, I do not accept that.

Q817 John Thurso: I look at the current board of Barclays and I notice, with I think possibly one exception, everybody from a banking background is basically from an investment banking background. You have said twice that there was far greater reputational damage than expected, and somewhere else that the public outcry was greater than expected. You were clearly taken by surprise, I would suggest. At another point, you said that the regulators clearly changed their attitude between the Wednesday and the Monday. What I am driving at—which I think is going to be at the heart of a lot of questions going forward—is that actually there is quite a big culture that goes beyond Barclays into modern banking, which is around large amounts of capital being dealt in many ways. Actually, the customer in the high street, the SME or individual borrower, is at the bottom of the chain rather than the top of the chain.

Marcus Agius: I do not accept that, Lord Thurso. If you look at our customer satisfaction ratings at the moment in our retail bank, they are as high as they have ever been. They are top of class.

Q818 John Thurso: How do you then explain the disconnect between all of the people who come to see us with the problems they have, and this is very widespread—you are welcome to look at all the emails I get—and that statement? What has gone wrong that we have an industry that believes it is doing the right thing and we have a public that tells us, their representatives, that it is not?

Marcus Agius: I would not wish to over-generalise at all or anything, but the whole nation, the whole of the Western economy, is still suffering from the aftermath of the financial collapse. It affects many people in many different ways. Many of our customers are suffering because of the financial situation and they, very often, are unhappy with their relationship with their bank in consequence.

Q819 John Thurso: You are, I think, at the moment de facto CEO of the bank.

Marcus Agius: On an interim basis, de facto.

Q820 John Thurso: What is top of your priority list?

Marcus Agius: Top of my priority list is to make sure that the bank operates effectively during this interim period.

Q821 Chair: You have been fined £290 million and you have taken personal responsibility. We all recognise just how difficult it has been for you, particularly to give evidence today. You have put in place a root-and-branch review of Barclays' culture in these very difficult times. It is in all our interests that that goes well and it is done thoroughly and quickly, so that the overwhelming majority of people in Barclays, who are doing an honest day's work, do not end up impugned by this scandal.

Marcus Agius: Correct.

Chair: If I may form a judgment, you have made a start today in that process, with a good deal of candour and directness in your exchanges with this Committee. We very much appreciate it. Thank you very much for coming in.