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Interviewee/s: **John Bennett**

Interview Date: **10 October 2023**

Interviewer: **Q1: Gerald Ashley Q2: Martin Zetter**

Transcriber note:

Q1: Today is Tuesday the 10th of October 2023. And we are interviewing John Bennett. My name is Gerald Ashley, and I'm joined by Martin Zetter and Richard Collins. John, good morning.

A: Good morning.

Q1: We start with our usual rather formal, slightly odd questions, but for a format that apparently people recommend, so here we go. May I ask where and when were you born?

A: I was born in Leicester in July 1945.

Q1: And what did your parents do?

A: My father was a gentleman's outfitter, my mother helped him but was also, I suppose. a housewife and looking after three children.

Q1: And then the final question, where were you educated?

A: I was educated at the local Leicester grammar school, the City of Leicester Boys School, and I then went on to Oxford – Christ Church, Oxford and read biochemistry for four years.

Q1: And you didn't go straight into banking?

A: No, I didn't, no. I followed a number of my contemporaries into the accountancy profession and I, as you did in those days, took articles with Arthur Andersen & Co, which was a relatively modern company, one that had been founded in Chicago, Illinois in the US. And it was, from my point of view, one of the best with regard to training, so I joined them and qualified as a Chartered Accountant in 1970 having joined them in 1967.

Q1: So three years of articles?

A: Yes, three years of articles, indeed.

Q1: And did you stick with accounting for any length of time?

A: I stayed with them for a bit but realised that I really didn't want to be an auditor, and as a consequence I took up an offer, which a former Arthur Andersen colleague gave me, which was to join Citibank as a grad – well not as a graduate trainee – as a professional trainee.

Q1: And at the time, Citibank would have been quite small in London I suppose?

A: Well, it was still at the time called First National Citibank.

Q1: Of course, yes.

A: And its head office in London was in Moorgate. But shortly after that in 1972 – I joined at the end of 1971 – in 1972 they moved their head office to the Aldwych, the old English Electric building facing down the Strand.

Q1: Shock, horror, outside the City.

A: Indeed, that was quite revolutionary at the time, yes.

Q1: And we really want to talk about - the really interesting bit, I think, we want to talk about is the couple of years leading up to Big Bang and then the other side of it, and all that flowed from regulation and compliance. But, briefly, between '70 and the mid-'80s, you were in London and I believe also the Channel Islands?

A: Yes, in 1976 I moved from what was then I suppose a marketing role with London clients to a more management role as the managing director of Citibank in the Channel Islands, which was based in Jersey. And I stayed there for, er, nearly nine years, eight-and-a-half, eight-and-three-quarter years, and returned in April 1984.

Q1: You mentioned to me before we started recording, you then had a role with the associated bank of Citibank, Saudi American.

A: Yes, I was their London representative for four years and negotiated quite extensively at that time, with the Bank of England to enable them to attain branch status and as a deposit taker under the existing legislation. And we did that successfully over the course of the next four years, so by 1988 the Saudi American bank had a branch in London, which was able to take deposits, and there was also a subsidiary, which was an asset management subsidiary as well.

Q1: Was it a fully authorised bank?

A: Yes, it was, yeah.

Q1: And it is always slightly amazing to – I think everybody round the table of a certain vintage, that even the concept of an authorised bank was fairly late, it was only post the sort of secondary banking crisis that all this stuff came in.

A: Indeed, yes.

Q1: So you obviously had a hands-on role with regulation in the Channel Islands because of being quite a small outfit and the different regulations.

A: Yeah, I mean as managing director, I was the chief liaison person with the various regulators in Jersey, the tax authorities, the commercial relations office, and the economic advisor who was the guy that really pulled the stops out for anything there.

Q1: Yes, and now we come to that sort of important point in the City, Big Bang as everybody likes to call it, and I read an article yesterday saying although in common parlance we think of it as de-regulation, in a way it was really just about bringing in a whole new regulatory regime because the old City clubs of the stock exchange and the accepting houses and the issuing houses, that all sort of fell away and became effectively state controlled through legislation.

A: It got a bit more serious; the Governor's eyebrows were no longer the be-all and end-all as far as regulation was concerned, and by that, I mean that if the Bank of England Governor came to your office and was, er, in a particular mood then you would know what sort of requirements there were going to be on your particular bank. That really fell away with the Financial Services Act when it came into force in 1988.

Q1: That's right. The actual Financial Services Act, as you say, enacted in '86 and impacted on financial institutions in terms of you'd got to get on with it from 1988.

A: Yes, yes.

Q1: And is that when you assumed this compliance role at Citibank?

A: Yes, I mean it was, and I say to people that I think I was the – one of the first compliance officers, Richard might deny this, one of the first compliance officers in London resulting from the enactment on the Financial Services Act. And Citi, I think, recognised fairly early on, that they needed somebody in that compliance officer role because it was designated under the

Financial Services Act, you had to have – if you were a financial institution, you had to have a compliance officer. So I think Citi looked around and they spotted me basically because I'd dealt with regulators in the Channel Islands, I dealt with – extensively with the Bank of England with the Saudi American Bank and I seemed to tick most of the boxes to become a compliance officer. So that really was my role from about '89 onwards, I think.

Q1: Was there much external advice or guidance, or was it a sort of learn by doing, how did it happen?

A: There was a lot of – yeah, and the lawyers thought that this – the law firms thought that this was a great opportunity for them. And we relied very heavily on one particular law firm, can I say it – can I say the name?

Q1: Yes, go ahead.

A: Wilde Sapte the time, and I developed a very good relationship with Wilde Sapte and they were able to advise me on the various things that needed to be done. Because bear in mind, Citibank at the time was a multifarious organisation, it had not only a deposit taking bank, but it also had asset management, it had insurance, it had virtually the lot. So we were interacting with all those regulatory bodies that were set up as a result of the Financial Services Act, which have all the various names attached to them. I think it – it was TSA to begin with, wasn't it, and then it was – they converted to SFA, we had LAUTRO, we had FIMBRA, we had IMRO, all these organisations, which regulated different parts of financial services. And it was a merry-go-round because you had to be reasonably sure as to which one you were supposed to be getting your authorisation from, and I think that's where Wilde Sapte and all the other big law firms in the City were able to bring to bear on the various organisations, various financial organisations.

Q1: And was it the usual mantra of regulators, they won't actually advise you on anything, they just say, look there's the rule book, you must get on with it or was there a certain amount of guidance?

A: Well, yeah, there was a certain rule book and I think in those early days, we were helping each other out to a great extent. And the atmosphere was much more – it was moving from a cosy relationship with the Bank of England into a cosy, but not so cosy, relationship with your regulators. I had some very good relationships, I think, built up over the first few years, with the principal regulators, IMRO and SFA, and with the overall regulator, the Securities and Investment Board.

[10:22]

Q1: Yes, SIB was the one that sat across the top, didn't it?

A: They did indeed, yes, they were the regulator of all regulators basically.

Q1: So it's nice alphabet soup of what's going on. Just to remind ourselves of the timeline here. The mid '80s was really quite an amazing period of time because there the opening of the LIFFE market, there was, as you mentioned, the Financial Services Act in '86, anybody who was there will never forget the crash of '87. And then obviously things started – and also in '86, going back, we had the deregulation of the stock exchange, the so-called Big Bang.

A: And as a result of that all the banks started looking at stockbrokers and deciding which one they would like to buy or the jobbers, so which ones they would like to buy. So there was a huge amount of amalgamation going on at that time, and Citi acquired Scrimgeour Vickers as a stockbroker and, goodness knows, I can't remember all of the various ones…

Q1: I do recall you bought the very small discount house, Seccombe, Marshall and Campion?

A: You might be right, I can't remember that one, but yes.

Q1: Well they were absolutely tiny, I mean anybody who can remember them…

A: [Laughs].

Q1: But of course the discount houses in themselves were now running out of road because the old lady had said they would go to a sort of repo market, which kind of killed the Victorian discount market.

A: Yes, and the silk toppers no longer came down the steps of the Bank of England [laughs].[1]

Q1: I think the government broker kept going for many years in the guilt market until that then got farmed off to a, I don't know its official title now, but issuance of government paper. Martin, have you got any quick points you want to jump in on here?

Q2: I was just wondering if you could explore that Black Monday and that financial crisis a little bit, were you as an American bank in London really affected by that would you say?

A: Um, well I think everybody was affected by it, obviously some to a greater degree than others.

[1] A reference to the silk top hats worn by participants in the Discount market.

My memory is not as good as it ought to be in this respect, but I do – I come back to what I was saying before, we were very, very much involved with our lawyers to ensure that we were doing the right thing at the right time, and getting the right regulator to regulate our business. It's, um, I seem to remember there was lots of excitement about that time, you know, when we were wondering what on earth was going to happen. But actually anything specific is not in my memory at the moment.

Q1: And I suppose, to put all of that in context, this is a world where counterparty risk is still done on a bilateral basis, we haven't got anywhere near Basel rules and any of this stuff.

A: No.

Q1: And I suppose your competitor JP Morgan were fairly swiftly after the crash, I think, started looking at value at risk and these sort of measurements. And the other one which I think you'll correct me on if I've got this wrong, that the whole area of things like anti-money laundering, that was quite a bit later in the future, wasn't it?

A: Yes, it was, it was indeed, and it wasn't – it certainly was not a hot topic in the late '80s, early '90s, it only really began to, I think, heat up in the late '90s and then of course after 911 in 2001, it just shot through the roof as far as the regulation and compliance was concerned.

Q1: Some of it seems extraordinary now, one thinks of days when bearer bonds and in Hong Kong where they had bearer equities, which I always found quite extraordinary, so the issuing companies didn't really necessarily know who their shareholders were.

A: I mean that's probably another story for your oral history, I think, is the development of anti-money laundering legislation and you'll come back to me on that, won't you [laughs]?

Q1: [Laughs] So here we are in 1988 and you have a desk and a phone and you've now set up a compliance department?

A: Yes, yes, I did, I set up a compliance department and had various compliance officers with – reporting to me who – in the end reporting to me, from the various businesses that we have. And over the course of those two or three years, we developed our systems and controls in association with, you know, seeing what the regulators were doing. And I think over the course of that time, it became pretty clear that this was not a one-man band, and not a one-man show.

Q1: I just imagine it grew quite quickly?

A: By 19 – I suppose 1991, er, I had, I think, one assistant and a secretary and I went to my boss in Citi and said, "You know, I think we should be looking at expansion here, not only expansion in the UK, but also expansion across in Europe because I could see the regulation coming through in – and at that time Citi London was looking after Citi Europe in many ways. So that was my thoughts on this and I'm afraid he poo poo-ed it.

Q1: And I suppose in the background was all this coalescing of EU-type legislation as well?

A: Yes, of course.

Q1: And of course, they were very keen on creating a sort of – domestic sounds the wrong word to use, but a domestic capital market for Europe and an investment market and all the rest of it, and so that was quite regulatory driven, I would have thought.

A: Yes, yes, and no, that prompted me to make these recommendations in the first place, I think. It met with a negative reaction I have to say, but I think in the end I was proved absolutely correct because after – in 1991, and we were going through a recession at that time across the globe actually. Citibank was pretty much on its knees at the time, the share price had plummeted, and they were, at the time, reducing costs quite dramatically. And I was a cross that they didn't want to bear and so I was in effect made redundant and my assistant who was obviously paid less than I was, was appointed as compliance officer. But, you know, twelve months on, I was vindicated by the fact that they actually had to establish compliance operations in European countries and bolster the numbers in the UK as a result of the changing legislation.

Q1: They hadn't spotted that the tide had dramatically moved and was going to keep moving in a…?

A: I think they were focusing on the cost cutting basically, that was the thing, I don't think the senior people at that time were particularly interested in compliance, they knew they had to have it, but it was something that was…

Q1: Sort of tolerated in a way?

A: Yes, indeed, yeah.

Q1: I know the slightly unfair comment is to call it the Business Prevention Unit sometimes.

A: Yes [laughs].

Q1: Because there was always this feeling that – and again it may now in light of todays market seem slightly odd, but a lot of things were done in quite a cavalier manner in terms of – I've actually been to a lunch where somebody did a large bond trade, I can't imagine what would happen now.

A: [Laughs].

Q1: And, you know, people were inventing new instruments as well. That's the other thing that's quite important in this, isn't it because there's this sudden explosion in the derivatives markets, across all the markets that Citi would have covered. And just the sheer complication of monitoring all of this I imagine?

A: Yes, yes.

Q1: And also – it is a fascinating time because also, the immense increase in computing power that became available and desk top computing power and all the rest of it.

A: Mm. Well, I remember Citi at the time was very advanced, particularly with regard to treasury activities and they created what was – they christened, was the first Apple orchard, which basically every dealer had an Apple computer in front of him. And they were, I guess in some way linked such that no longer were there bits of paper flying around for deals, you actually – the dealers had to actually input the deals on their keyboards, and that was really quite revolutionary in the late '80s.

Q1: Absolutely, yeah, yes, absolutely.

Q2: Yes, just coming back to the new financial products that were coming out hell for leather at the time, you know, all these Greek letters. How were you responding to that, I wondered if you could say something about the internal procedures or processes of reviewing that and staying on top of it?

[20:15]

A: Er, I – that's something that I don't recall too well how we did that. I suspect we were a bit behind the curve with regard to regulating that. It wasn't – certainly wasn't my forte at any rate, I was much more on the procedural side rather than the risk evaluation side for these products. And I think the regulators themselves were a bit behind the curve also on this, you know, they were playing catch-up with the markets quite dramatically. And as a consequence the regulation of these products did lag behind the sophistication and the development of the markets at that time.

Q1: The other thing that came in was this idea of the authorised individual.

A: Yes.

Q1: You know, up until then people kind of swopped roles, did whatever they liked, some people even had sort of hybrid roles where they were both trading sales and lord knows what else. And one can see potential conflict in interest. So were you involved in this idea that people had to be as authorised dealers or authorised advisors?

A: Yeah, yeah, I mean we had to make sure that everybody who was – should be authorised, was authorised, and I was authorised as a – not only as a compliance officer, but also as a registered rep.

Q1: Oh yes.

A: Yes, for FSA, um, and they all had – IMRO and others, all – they all had their various qualification requirements. I have to say I was one of those people that never actually had to take an exam for any of this because I was always 'grandfathered' in from one to the next, to the next, to the next, and as a consequence I'm now a Fellow of the Chartered Institute of Securities and Investments without having actually taken an exam [laughs].

Q1: I do recall that there was a lot of whining by the sort of cohort that was just under the grandfathering thing, you know, why the hell do I have to go off and do all these exams. And they weren't necessarily particularly straightforward, there was quite a lot of work involved to learn the language and the structure and the procedure and everything.

A: It's probably now, you know, pretty much taken for granted, I think, isn't it, it's just part of the process.

Q1: Yes, absolutely, yeah. Martin?

Q2: Yes, then you're moving onto Hill Samuel Bank from there?

A: Yes, I moved seamlessly from Citi to Hill Samuel and became compliance director of the bank, the merchant bank, and head of compliance for the TSB division of Hill Samuel – TSB was the owner of Hill Samuel.

Q1: Oh they'd – at that stage, they'd already bought Hill Samuel?

A: They'd already bought Hill Samuel and Hill Samuel was on its knees, regulatory wise, because it had just been fined a huge amount for that particular time, by IMRO, for, er, poor compliance – I can't remember exactly what it was, but it was certainly very poor. And I think one of my first things was actually to write a report to IMRO saying how we had managed to rectify all the problems. But again, there was multiple regulation there because we had a life insurance company, so LAUTRO was involved, an investment management company, IMRO, we also had a financial advisor or so, so FIMBRA was involved. And I spent an awful lot of time going between the various locations of these offices down in Croydon, down – up the Barbican, all sorts of places. And of course, Hill Samuel was just in Wood Street, across the road, yeah.

Q1: And was it a hands-off relationship by TSB as a parent or where they on your neck?

A: Er, it was relatively hands-off, yes, so we used to have monthly meetings at head office in Birmingham and, er, they pretty much left us to fend for ourselves, I think, in that respect.

Q1: There must have been a certain amount of pressure because you'd got to get back up to speed from a compliance point of view, and presumably they as the ultimate parent, the regulators would jump on them at some point if they…?

A: Yes, they would. Well, you know, it was a good place to start because they were at a low and it hopefully could only get better. And I think the way I tackled it, the report that I prepared, the relationships I developed with the regulators, proved to be the right way to go because we got on the right side of the regulators, as well as the Bank of England, we were – because Hill Samuel was an authorised bank, so we had a very important relationship with the Bank of England.

Q2: How did Hill Samuel differ from Citi in terms of the culture and the [inaudible 25:26]?

A: Well, I suppose the good thing about Hill Samuel was that you could get to the top, you know, I was on the board of directors, so I had a chief executive to whom I reported and the other directors were basically ones that had business responsibilities. So you were able to go into their office without any problem. In Citi, it wasn't quite the same because the – although there was a titular head in the UK, as the country corporate officer, there was – it was really rather an amorphous organisation, I think, and much more difficult to get to the decision makers that you really wanted to get to. In Hill Samuel, because it was such a – it was a smaller, more pyramidal organisation, you knew where you stood. So it was much easier, I think, to make your opinions known and get the decisions that you wanted.

Q1: And then from Hill Samuel you went to Deutsche Bank, which I suppose – was that in a way a bit more like Citibank, obviously in terms of scale and stuff?

A: Yes, I mean it was a – it was an interesting move because of course back in ’95, ’96, TSB was acquired by Lloyds Bank.

Q1: Of course, yes.

A: And the chairman of Lloyds Bank at the time, Sir Brian Pitman, former master of the Worshipful Company of International Bankers, didn’t want to know anything about merchant banking. He was a retail banker through and through and one of his first decisions when they acquired TSB, they wanted TSB, they didn’t want Hill Samuel, and it was bye-bye Hill Samuel. So six months after the merger, I moved to Citibank.

Q1: To Deutsche?

A: Sorry, yeah, to Deutsche as one of their compliance directors, specifically responsible for structured finance.

Q1: And I can recall being in the same offices as Deutsche Bank when they had – in London I doubt if they had 100 people, and that would have been in the mid ‘80s. And by the time you arrived, they’d absorbed Morgan Grenfell?

A: They’d absorbed Morgan Grenfell. And in fact, I joined what was then described as Deutsche Morgan Grenfell rather than Deutsche Bank. It was not until probably the early – the late 1990s or the early 2000s, I can’t remember which, when the Morgan Grenfell name was dropped and everybody was Deutsche Bank employee.

Q1: And this vast new office that was built in…

A: Winchester House.

Q1: Yes, Winchester – yes.

A: Yeah, that was completed just about the time that I joined actually in 1996, and it – it was supposed to be the – everybody was supposed to be housed there, but of course inevitably on these – these property decisions, you get the building, you put people in, you find there’s still some left over and you can’t accommodate them. So we continued to have space in 23 Great Winchester Street, which was…

Q1: With the old grand offices.

A:	Which was – yes, which was Morgan Grenfell's head office, we had offices in 99 Bishopsgate, just around the corner, and we spread out all over the place as a result of the increase in staff.

Q1:	So was that the biggest in terms of staff institution you worked for, was it bigger than Citi in London?

A:	I suppose it was – it was bigger than Citi in London, yes, it was 6,000, 7,000 people at the time, there are probably even more now because subsequently – subsequent to my arrival, they took over Bankers Trust, of course.

Q1:	Of course they did.

A:	And that brought in a huge number of new faces, and also a new culture.

Q1:	Which had really been very much a sort of New York trading house.

A:	It was a US bank – it was a US bank culture.

Q1:	And derivatives.

A:	So almost back to square one as far as my banking is concerned, you know, with Citi.

Q1:	So you've kind of gone full circle in that sense a little bit?

A:	Yes.

Q1:	Martin?

Q2:	Yes, you had anti-money laundering responsibilities at Deutsche Bank…?

A:	Not originally, no.

Q2:	Not when you joined, that came in later, did it?

[30:06]

A:	It did indeed, as I said, I think, earlier, I came in as director of compliance for structured finance, which was a rather niche market as far as Deutsche Morgan Grenfell was concerned, and there were compliance directors for the various other business as well. But I suppose I was there for maybe two to three years, and I then moved on to being a compliance officer for – or compliance director for the private bank. And after that, I – because of my – I suppose my, um, knowledge of the Bank of England again, with the increased emphasis on anti-money laundering, I became the compliance officer for anti-money laundering and compliance director for that.

Q2: Was that very much around the time of the evolution of the anti-money laundering?

A: Yes, it was, yeah, the late '80s, yeah, er, late '90s rather, late '90s. And the of course everything went to hell in a handbasket with 911, and the – I suppose the, um, the face of compliance changed in that respect. The emphasis on anti-money laundering and know your customer became the be-all and end-all for a lot of banks. And Deutsche was in the forefront of that, they had their very aggressive trading strategy, they would want to trade with anybody basically. And, er, you had to be extraordinarily, um, firm I think, I always remember the, you know, do you remember the old letter that used to come from Nigeria?

Q1: Indeed, yes. The sort of fraudulent, you've won a million quid or whatever.

A: Yes, we've come into this inheritance of ten million pounds and we want to share it with you.

Q1: Yes, sounds reasonable.

A: And, you know, those were things, as Richard will remember, you just had to file with the Bank of England on some, um, set or another. Anyway, one of our chief traders got hold of one of those and said, "I think we should be doing business with this guy," and I said, "Hang on, hang on [laughs], no, no, no, this is totally, totally fraudulent," and he said, "Well why can't we just string them along?" I said, "No, no," he didn't do it in the end anyway [laughs].

Q1: And then I guess, after you time, was the rise of – actually it's relatively recent, the things like cybercrime and impersonation of people's details.

A: Yes, well by that time I think I'd retired, so [laughs] that was someone else's problem rather than mine.

Q1: So you've really seen it from the days of when stuff was typed on pieces of paper and don't worry it'll be all okay, through to quite a sort of formalised system?

A: Yes, I mean, I suppose my fortunate timing was that I retired in 2005 and the banking crisis started in 2007, and I used to wake up in the mornings and think thank God I'm not part of that any longer. Because compliance became literally the thing, and certainly by the time that

I retired, you know, it wasn't just one man and a dog any longer, there were compliance departments for each business that we had, and they were big, big departments, because they had not only the guy responsible for it, but the people who had to run the tests and do the checks and balances.

Q1: And a huge amount of record keeping and databases and all the rest of it.

A: Enormous, yes, yes.

Q1: Which kind of brings us up to now, now that you can view slightly from afar, do you have any particular observations about finance in the City or compliance in the City these days?

A: Well, you know, compliance in the City, I think there was regulation being piled on regulation being piled on regulation, that was what was happening in the '80s and as compliance officers, Richard will remember us getting together and trying to control this, and our mantra was, we don't want more regulation, we want better regulation. And, you know, I think to a great extent, that was taken on board, but you know, it took some time.

Q1: Was it the sort of financial equivalent of the Dangerous Dogs Act, you know, something bad happens, so we better bang in some legislation very quickly?

A: There probably was an element of that, and that's where the more regulation came in, but we would just like to say to them, just step back and see how you can improve it, rather than tinker with it and just add more because you feel you ought to.

Q1: And any particular views on where we stand now about things, or do you think it's all settled? That's a hostage to fortune, isn't it, the moment you say that.

[All laugh].

A: [Laughs] Yes, I think my get out of that will be the jury's out on that [laughs] and I'm not part of that jury [laughs].

Q2: I think that certainly around that time and before Britain was seen as having a kind of a principles-based compliance and regulation.

A: Yes.

Q2: Because other jurisdictions were very rule based.

A: That's right.

Q2: And regulation based.

A: That's right.

Q2: Do you have views on whether you think there's a better system – advantages, with one over the other?

A: Oh, principles-based regulation left a lot to be interpreted and as a consequence I think there were dangers there in trying to do it purely on that basis. People like to know where they stand, I think, and you know, if you've got a particular regulation – know your customer is a classic example of this, I think. You know, there's a principle-based theory on that is that, well does he look a good chap and is he – does he say the right things. I don't think that washes any longer on KYC, and you've got to make sure that you've got everything in place. Okay, it means that people are very frustrated when they want to open bank accounts, or when they want to even become an account holder for a utility, you've got to have this – the satisfaction of – for the regulator at any rate, of what your bona fides is.

Q1: Well, John, I think that's been very illuminating, and you have proven the old rule that timing is everything.

A: [Laughs] It is.

Q1: You got in at a great time, and you got out at a great time.

A: Got out at a good time, yes.

Q1: And on behalf of us all, can we just say thank you very much.

A: It's been a pleasure as it was before.

[END OF RECORDING – 00:37:39]