I would like to thank Marco Antonio Achon and Michele Moosally for inviting me here to speak to you today at the Santander US Corporate and Investment Banking Leadership meeting.

It's a special honor, particularly since I've had a close affiliation with Banco Santander since the early 1980s when I had a chance to travel to Santander and speak at a joint conference sponsored by the University of Santander and Banco Santander on the Latin American debt crisis. Since then I've had numerous opportunities to work with the bank and in particular with Ana Patricia Botin and her father Emilio Botin and my good friend Guillermo de la Dehesa.

I will speak briefly for half an hour on my thoughts on the world economy and specifically on the three largest economies and then some thoughts and work I have done with the Group of 30 in the area of culture and conduct in the finance and banking system. And during the final half-hour I will take questions from the floor.

Since the great recession of 2008 we have seen massive amounts of monetary stimulus provided by the world's major Central Banks to spur growth. This has often led to a reach and search for yield in a world dominated by record low interest rates, and in the case of the Eurozone even negative interest rates. One of the big concerns now, is that the world's major central banks have very little ammunition left to fight the next financial crisis. There have been calls for more fiscal stimulus, particularly in Europe and Japan. We have already seen significant fiscal stimulus in the United States, China and Japan. All of this, however, has not produced the desired growth in either Europe or China and only The United States, the world's largest economy has experienced satisfactory growth between 2 and 3%, along with a booming stock market and with near record low unemployment. The question here, as we go into the 11th year of recovery, is how long can this continue.

Turning to China, the world's second largest economy, we are seeing a significant slowdown from nearly 20 years of double-digit growth which will probably fall below 6% in 2020. In the meantime, the country has a massive debt load of over 300% of GDP, caused by a still not fully regulated shadow banking system and massive, financing of many inefficient state-owned corporations and over-borrowing by provinces and municipalities. We have also seen financial problems in a number of small banks in China. All of this has been exasperated by the trade war with the United States. For China to avoid a serious down-turn going forward it needs to reduce its debt, open up its financial system, control shadow banking, and stop supporting money losing state owned enterprises.

Turning to Europe, the world's third largest economic grouping, we see slow growth and even stagnation in a number of countries, with the area's largest economy Germany, close to being in recession. All of this has occurred despite massive monetary stimulus, and in many cases negative interest rates.

The European Central bank has just lowered its forecast of growth for 2020 to only 1.1%. Both Mario Draghi, the outgoing head of the ECB and the incoming head Cristine Lagarde have called for a significant increase in fiscal stimulus. In a number of countries, namely Italy and Germany, we see a very weak banking system. Unfortunately, the Eurozone banking union has never been fully finalized with only the regulatory side functioning well and a mixed bag on resolution depending on the country, and no eurozone wide deposit insurance scheme.

One of the economies that has recovered best in Europe and regularized its banking system is Spain. Banco Santander has played an important role in helping revitalize the Spanish economy.

I will be happy to answer specific questions on Latin America, Asia and Africa.

Now let me turn to a subject of great importance to me personally and one that is crucial to your institution and to the worldwide financial and banking sector, which is culture and conduct.

I remember my more than 50 years of work at Citibank and I remember how we were taught as young trainees three things.

- Protecting the bank's reputation was key. Hard to build up but easily lost.
- Your customers are a priority. Always serve your customers in an honorable and honest fashion.
- Always remember the role of you and your bank in helping your local community.

Unfortunately, many banks lost these norms of behavior and conduct in the run up to the great recession.

The industry's standing among voters and the public still remains in disrepair.

The 2019 Edelman Trust Barometer reports only 57% of those polled trust the financial services sector. This is up 2% on last year's poll – but the financial sector remains the least trusted sector in business.

Who is most trusted? – technology firms – at 78%.

Meanwhile - scandals continue to hit trust in finance and banking.

- **The Danske Bank Russian money laundering scandal – involving as much as $230bn siphoned through its Estonian subsidiary - has shaken the firm and resulted in the firing of the Chair and the CEO.**
- **The Goldman Sachs 1MDB scandal has tarnished that firm's reputation and led to criminal charges in Malaysia.**
- **The Deutsche Bank involvement in numerous scandals, from laundering Russian cash, to the LIBOR interest rate scandal.**
- **The $900 million money laundering scandal at ING.**
- **The recently announced 135 bn euro money laundering scandal in Swedbank.**

This is an indicative list. There are many others.

So today trust in banking remains damaged, and the costs of major failures are material to banks and banking, and their clients.

But we have seen progress.

1. Evidence of progress

We in the G30 see areas of progress in the industry.

Some firms are naturally further on in their cultural journey than others.

So what did we find?

Boards have upped their game, but need to continue their focus on conduct and culture.

Boards have begun to better understand and monitor their firm's culture. They appear more equipped to act when conduct issues arise.

Discussions of culture and conduct matters at the board level are now much more commonplace.

For instance, most boards and firms now use culture and conduct dashboards and have measured tactics in place to address concerns – as we recommended.

We also recommended all banks create a dedicated board level committee to monitor conduct and culture.

Today approximately one-third of banks surveyed have taken the step to establish such a committee. We urge faster progress on this area.

And regardless of whether a separate committee is created, regular discussion of conduct and behavior issues by the whole board is now being seen.

We have also recommended board members get out of the headquarters and 'kick the tires' of the firm. Talk to employees. Observe how business is really being done. That visibility helps them gauge the firm's health and support the desired culture, as board members should constantly reference the desired norms and demonstrate them in their own behavior.

Today senior executives are more audibly setting the tone at the top. Leading by example.

Leaders are recognizing that 'signaling' matters. Repetition of a bank's norms and expectations matters in cultural transition.

Our G30 work on conduct and culture makes clear that a focus on conduct and culture is not and cannot be an 'add-on', a grudging response to regulatory demands.

This embedding of culture is not easy. It is a long, arduous process. Leaders and indeed every manager within a firm needs to understand, internalize, and champion the firm's culture in their business unit or branch.

The tone from the top must be heard in the middle of the firms and then repeated at the front line all the way down to the teller level. After all, most employees model their behavior on their boss or their boss's boss not the CEO, who they will rarely ever see.

Today we find that performance management and training is improving and remains key to success.

Training should not only take place at the start of their career, but also through an employee's lifecycle at the firm.

Specific actions we have seen banks take in this regard include:

- More firms are using real life examples of decision-making in difficult grey areas, leading discussions on approaches and tools to handle these situations.
- Annual performance reviews are increasingly being split between financial metrics and conduct and behavior, as the G30 recommends.
- Speaking up is gradually being encouraged & rewarded. And action needs to be taken to protect whistleblowers and reward them for raising red flags.

Additional work is still needed to reinforce training and expectations:

- If employees break cultural norms in a serious manner, bonuses and promotion must be impacted. Serious breaches should lead to firing.
- Willful blindness or failure to speak up must have consequences.
- Firms must be on alert for unintended perverse effects of incentives.

Strengthening what is known as the "three lines of defense" must continue.

The first line - that is business units themselves - needs to own culture and conduct.

The second line – the risk managers – must ensure compliance with rules, and norms of behavior and conduct.

And the third line – the auditors – must review the process and its effectiveness.

All lines must be aligned on conduct and culture – pushing in the same direction – to ensure this is a permanent mindset change.

So let's say again that much is being done by boards and management, and supervisors, on conduct and culture. But this is not the time to say the job is done.

2. A Permanent Mindset Change

Banks that succeed – like Santander – need to continue the focus on conduct and culture.

The need to ensure employees understand and internalize what it means to work for a firm, and the firm's role in society and the economy.

Surveys of young workers increasingly demonstrate that employees want to feel their employer supports positive change in society.

- 67 polled percent in the 2019 Edelman Trust Barometer say they want an understanding of shared action ‘that my employer has a greater purpose, and my job has a meaningful impact in society.’
- The same number of those polled also said “A good reputation may get me to try a product, but unless I come to trust the company, I will soon stop buying it.”

Employees and customers are telling us that they want to work in and do business with firms they can trust and those firms should have a wider societal goal they can support and be proud of.

Those firms that get that culture approach right will prosper in the long-term; and those that employees and customers don’t trust, will not.

I am pleased to see the work Ana Botín and Santander’s management are doing on climate change and finance.

That is an example of long-term thinking. Of strengthening a positive role in society on one of the most important challenges before us.

Let me conclude.

A lot of positive changes have been made to conduct and culture in banks and finance.

But repairing and maintaining trust is a constant process.

Vigilance against bad conduct and subcultures is still required.

But I think the message of permanent mindset change is resonating within firms like Santander.

Thank you.