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Speech by Robert Jenkins

How does it help Europe to disenfranchise its money management industry? How does it advance Europe's ability to compete globally by reducing the global competitiveness of investment management? Why would German leaders expect British support for efforts to protect and promote Germany's world renowned auto industry but abandon its partner when Britain seeks understanding and support for its world leading financial industry? These are questions which deserve to be asked by Europe's politicians and answered with clarity by those most ardent in their regulatory zeal.

It is curious that the response of some European politicians to the banking crisis is to regulate the investment management industry. Neither hedge funds nor private equity caused the chaos. They have not asked for taxpayer bailouts. Yet the knives are out for this band of leveraged "locusts" even as domestic banking behemoths are shielded. Clearly some political leaders would prefer to focus attention on those who did *not* cause the problem rather than attend to those who did. So be it. Let us legislate against leverage and maintain a level playing field at the same time. I propose that all alternative fund managers cap their leverage at the level currently prevailing at Deutsche Bank. Well, if you insist, you can cap alternatives at a level equal to ½ that of Deutsche Bank. [Deutsche Bank's balance sheet leverage is currently ca. 25 times – down from over 40 times at the start of the crisis.]

Maybe I am being unfair. Perhaps the problem is not one of malice but rather one of mistaken identity. In this case may I politely point out that investment management is *not* investment banking. Mind you, asset managers did not necessarily cover themselves in glory during this whole affair. When the banks ran out of liquidity, our customers for whom we act as agents, helped supply it. When the banks ran out of capital, the funds we manage contributed to the take up of new debt and equity issues. And when one day, governments divest their shares in the walking wounded of the banking world, to whom do you suppose they will sell? In short, the investment management industry is not part of the problem but we *are* part of the solution.

Where you stand depends on where you sit. Perhaps, Mr Steinbrück has taken a damaging stance against Europe's leading financial centre because he sits in Germany. It would appear that (like many Brits) Mr Steinbrück has forgotten that his country is part of Europe. He is no doubt painfully conscious that German industry must remain globally competitive but he seems to forget that Europe's financial industry must compete globally as well. The money management industry is a principal pillar of finance and industry. "Alternatives" are a key component of the broader money management business. Both have been and can remain major contributors to government tax revenues at a time when tax revenues are falling short of government expenditures. Alas, Mr Steinbrück and a number of continental comrades seem determined to shoot a key part of the money management industry in the back and themselves in the foot. Mein lieber Steinbrück, have more faith in the Europe of which you are part.