

Minutes

Meeting:	FCA Board	
Date of Meeting:	25 April 2013	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Clive Adamson	Mick McAteer
	Andrew Bailey	Tracey McDermott
	Amanda Davidson	Jane Platt
	Amelia Fletcher	Sir Brian Pomeroy
	David Harker	Lesley Titcomb†
	John Griffith-Jones (Chair)†	Martin Wheatley
In attendance:	Set out in Annex A	
Apologies:	N/A	
†	Present for part of the meeting	

Mr Griffith-Jones welcomed the Board members and attendees to the first meeting of the FCA Board.

Quorum and conflicts

The Meeting noted there was a quorum present and proceeded to business.

Members were asked to declare conflicts of interest at the start of any relevant items.

1 Decisions reserved to the Board

1.1 Matters requiring a decision of the Board

The Board ratified the resolutions made by the FCA Transitional Board on 28 February 2013 and on 19 March 2013.

The Board noted the paper requesting decisions reserved to the Board and agreed:

- the re-appointment of Mr Andrew Long as a Deputy Chair of the Regulatory Decisions Committee (RDC) until 31 December 2015;

- the re-appointment of Mr Andrew Long as Acting Chair of the RDC until a permanent Chair was recruited;
- the re-appointment of Mr Martin Hagen and Mr Robin Callender Smith as Deputy Chairs of the RDC until 31 December 2014;
- the re-appointment of Mr David Sachon and Mr Michael Urmston as members of the RDC until 31 December 2014;
- the re-appointment of Mr David Ashton, Ms Nicola Beattie and Mr Peter Hinchliffe as members of the RDC until 31 December 2015; and
- an increase to the RDC's membership from 11 to 14 members including the Chairman;
- the granting of an indemnity to the persons appointed under the Transitional Provisions Order to discharge certain functions (members of the FCA Transitional Board) against claims for any acts or omissions before legal cutover on 1 April 2013;
- that the FCA should comply with the UK Corporate Governance Code where appropriate and applicable;
- the revised terms of reference for the Board's Remuneration Committee;
- the Health and Safety Policy and the Business Continuity Management Policy;
- the appointment of Mary Starks and Deborah Jones to the Director of Competition role, each working three days a week;
- the appointment of Alan Trotter, Scott Cowling, Abdallah Nauphal, Julian Palfreyman, Daniel Pinto, Simon Bragg and John Trundle as members of the FCA Markets Practitioner Panel with effect from 1 May 2013, for a term of three years until 30 April 2016;
- the appointment Simon Lough and Craig Errington as members of the FCA Smaller Business Practitioner Panel with effect from 1 May 2013 for a term of three years until 30 April 2016;
- the appointment of David Bellamy as a member of the FCA Practitioner Panel with effect from 1 May 2013 for a term of three years until 30 April 2016;
- the revised and updated Code of Conduct for the Independent Panels; and
- the appointment of Sue Lewis as a Member and Chair of the Consumer Panel with effect from 1 July 2013, for a term of three years until 30 June 2016.

1.2 Rules & Guidance to be determined

The Board considered the proposed rule relating to the changes to the Conduct of Business Sourcebook that would prevent investment platforms being funded by rebates from product providers. In the course of its discussion, the Board considered the comments from the Independent Panels relating to the HMRC ruling on the taxation of platform rebates. The Board noted that the rule represented one of the final elements of the Retail Distribution Review, a review of the effectiveness of which would be conducted in due course.

The Board also noted that the rule change would correct the definition of "platform service" in the earlier policy statement. The Board considered that this was a minor correctional change that it was appropriate to make without consultation as it considered that further delay would be prejudicial to the interests of consumers.

The Board made the five instruments set out in Annex B.

1.3 FCA Board Committee membership and Senior Independent Director

The Board agreed the membership of the FCA Board committees as follows, with immediate effect:

- Audit Committee: Sir Brian Pomeroy (Chair), Mick McAteer, David Harker, Amanda Davidson;
- Risk Committee: Mick McAteer (Chair), Sir Brian Pomeroy, Jane Platt, Amelia Fletcher;
- Remuneration Committee: Amanda Davidson (Chair), David Harker, Jane Platt, John Griffith-Jones;
- Oversight Committee: John Griffith-Jones (Chair), Mick McAteer, Lesley Titcomb, David Harker, Amelia Fletcher (following conclusion of the HBOS report committee); and
- HBOS Report Committee: Sir Brian Pomeroy (Chair), Mick McAteer, Amelia Fletcher, Andrew Bailey.

The Board appointed Sir Brian Pomeroy as the Senior Independent Director.

2 Minutes and Matters arising

2.1 Minutes of FSA Board meeting

The minutes of the FSA Board meeting held on 20 March 2013 were approved.

2.2 Matters arising

The Board noted the matters arising from previous meetings.

3 Reports from Committees and Independent Panels

3.1 Update on the FCA sub-group meeting held on 20 March

The Board noted the FCA sub-group had been meeting in preparation for the start of the FCA and now any relevant business would be subsumed into FCA Board agendas as required.

3.2 Monthly reports from the Independent Panels

The Board noted and discussed the reports from the Consumer Panel, Practitioner Panel and Smaller Business Practitioner Panel. The Board noted in particular that each of the Panels had expressed concern on the stance taken by HMRC in respect of the taxation of rebates received by investors through investment platforms, and the FSA's role in the overall decision process. It was agreed that Mr Wheatley should write to the Chairs of the Panels to set out the view of the FCA.

4 Specific items of business

4.1 Policy, Risk and Research Division – overview

The Board received a presentation from Mr Woolard setting out the objectives, structure, deliverables and changes planned for the new Policy, Risk and Research (PRR) Division within the FCA.

The Board noted and discussed the following issues and challenges for the Division:

- the development of the insight pack would involve cataloguing the information that came into the organisation as part of the data strategy, establishing what would be desirable and what was available via external indices or research. It was expected that a first draft of this would be developed before the Summer;
- it was important that the PRR helped the rest of the organisation share and discuss consumer policy issues more widely and raise issues at an early stage with the Board; and
- the intelligence-based model for the Division needed to look at risks and the FCA's strategies to mitigate them continually whilst ensuring that the key issues identified were put into business as usual.

The Board acknowledged that the use of the market intelligence department and change to a more forward-looking approach raised expectations of the regulator; this meant there was potential for failure but the Board believed this was the correct approach and it would need to support the PRR Division to ensure it was a success.

Ms Titcomb left the meeting.

4.2 FCA approach to competition

The Board received a presentation from Mr Woolard setting out the FCA's approach to promoting effective competition in financial services in the interests of consumers and to its duty to promote competition when discharging its general functions.

The Board noted and discussed the following issues:

- the tools and powers available to the FCA and the need for a good relationship with the office of Fair Trading (OFT);
- the methodology to identify the issues in the market and assess the interests of consumers needed further development;
- the FCA needed to assess the public policy expectation of the use of competition powers and define the scope of the FCA's responsibility; and
- when using market studies the FCA should be clear about their scope and ensure appropriate stakeholder engagement.

The Board agreed with Mr Woolard that there was more work to do to develop the tactical and strategic use of the FCA's powers which would be led by the new competition department within PRR.

4.3 Economic regulation of Payment Systems

The Board received the report, noting that a recent HMT consultation had proposed that the FCA or one of the existing economic regulators take on the economic regulation of UK payment systems.

The Board noted the comments from the Independent Panels regarding their views on the FCA taking on this responsibility.

The Board noted HMT's likely timetable and that it would receive a paper at such time as there were any discretionary decisions to be taken following the conclusion of the consultation.

4.4 Behavioural economics

The Board congratulated the team on the two occasional papers (“Applying behavioural economics at the Financial Conduct Authority” and “Encouraging consumers to claim redress”) that had been published recently. The Board received a presentation on the papers and how the FCA was planning to use behavioural economics to further the FCA’s objectives.

The Board discussed several issues arising from the papers and ways in which to develop this work further through further trials in thematic work, such as in connection with financial promotions and how to use the findings in the regular supervision of firms.

The Board was supportive of the work and agreed the Chief Economist’s department should develop this work further and provide further updates as appropriate.

5 Reports from Executive Directors and the PRA

5.1 CEO Report

The Board received the CEO’s report and noted and discussed the following key points:

- an update on the Co-operative’s bid for branches of Lloyds TSB;
- the implementation of a new UK LIBOR regime and that the tender for new administrators of the regime had commenced;
- the discussions with the Government relating to the FCA’s responsiveness to authorising funds in the asset manager sector;
- the FCA’s approach to interest rate hedging products;
- the FCA’s view on the analysis of the Bank of Ireland’s change to its tracker interest rates and its original marketing material and the exchange of letters with Andrew Tyrie, MP; and
- the FCA was working on its communications plan and strategy to ensure that key messages were delivered appropriately.

5.2 COO Report

The Board received the COO’s report and noted the following key points:

- the approach to the consumer credit programme; and
- the delivery of the complex LCO programme had been a success.

5.3 PRA Update

The Board received an oral update from Mr Bailey noting the following key points:

- developments in Cyprus has been prominent in the early meetings of the PRA Board;
- there were still issues relating to the understanding of consumers of the scope of the deposit protection scheme;
- the PRA Board would be considering a response to the Parliamentary Commission on Banking Standards (PCBS) approved persons regime; and

- there were clear areas where prudential issues may have an impact on conduct issues and vice versa (for example in the use of contingent convertible bonds) and the FCA and PRA would co-ordinate where required.

6 Minutes for noting

6.1 Minutes of FCA sub-group

The Board noted the minutes of FCA sub-group meeting held on 20 March 2013.

6.2 Minutes of the Committee for the Oversight of the MAS

The Board noted the minutes of the Committee for the Oversight of the MAS held on 7 March 2013.

6.3 Minutes of Executive Committee meeting

The Board noted the minutes of the Executive Committee meeting held on 6 March 2013.

7 Any other business

There was none

8 Other papers for noting:

8.1 Forward agenda

The Board noted the forward agenda.

3 Reports from Committees and Independent Panels (cont.)

3.3 Update on the HBOS Report Sub-Group meeting held on 25 March 2013

Mr Griffith-Jones noted he had previously been employed by KPMG and left the meeting.

The Board received an update from Sir Brian Pomeroy on the background to the report and its timing and progress to date, including the following points:

- Mr Wheatley and Mr Bailey had been asked by the Chancellor to consider, in the light of the conclusions of the HBOS review, whether it was appropriate to begin further enforcement investigations to establish whether to prohibit any individuals from holding an approved position in the future; and
- the report would look at the quality of assets and how these had been accounted for, including taking account of any input given by the auditor; but would not be reviewing the audit work undertaken by the auditor since this would be the responsibility of the Financial Reporting Council (FRC) and the FCA would refer any issues if appropriate.

Sir Brian proposed, and the Board agreed, that he would update the Board as appropriate at key stages in the production of the report.

Mr Griffith-Jones re-joined the meeting.

Mr Griffith-Jones updated the Board on recent media coverage regarding his previous employment at KPMG who were the auditors of HBOS. He explained that he had not contributed to discussions regarding the HBOS report and that it would be sensible that he should absent himself from any discussions in future.

The meeting closed at 3.45pm

Claire Strong
Deputy Company Secretary

ANNEX A: Attendees

Sean Martin	Acting General Counsel
Simon Pearce	Company Secretary
Claire Strong	Deputy Company Secretary
Peter Andrews	Head of Chief Economist's Department (for item 4.2)
Vyv Bronk	Manager, Banking & Payments Policy (for item 4.3)
David Geale	Head of Investments Policy (for item 1.2)
Stefan Hunt	Manager, Chief Economist's Department (for item 4.4)
Richard Taylor	Manager, Investments Distribution & Disclosure (for item 1.2)
Mark Threipland	Head of Department, General Counsel's Division (for item 1.2)
Chris Woolard	Director of Policy, Risk & Research Division (for items 4.1 to 4.4)

ANNEX B: Resolution

The Board of the Financial Conduct Authority hereby resolves to make the following instruments:

Conduct of Business (Platforms) (Amendment) Instrument 2013

Listing Rules Sourcebook (Amendment No 9) Instrument 2013

Training and Competence Sourcebook (Qualifications Amendments No 8) Instrument 2013

Financial Conduct Authority Handbook Designation (Correction) Instrument 2013

Handbook Administration (No 29) Instrument 2013