

Minutes

Meeting:	FCA Board	
Date of Meeting:	29 January 2015	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Andrew Bailey	Mick McAteer
	Catherine Bradley	Tracey McDermott
	Amanda Davidson	Sir Brian Pomeroy
	Amelia Fletcher	Lesley Titcomb
	John Griffith-Jones (Chair)	Martin Wheatley
In attendance:	Set out in Annex A	
Apologies:	Clive Adamson	Jane Platt
	David Harker	

Quorum and Conflicts

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

1 Minutes and meetings

1.1 Minutes of the FCA Board meeting

The Board approved the minutes of the FCA Board meeting held on 11 December 2014.

1.2 Draft minutes of the External Risk and Strategy Committee

The Board noted the minutes of the External Risk and Strategy Committee held on 16 December 2014. Mr McAteer briefed the Board on the key issues considered by the Committee, noting that a report from the CRO was later on the agenda.

1.3 Draft minutes of the PSR Board meeting

The Board noted the draft minutes of the PSR Board meeting held on 21 January 2015. Mr Griffith-Jones briefed the Board on the key issues considered by the PSR Board. These included an update on the responses to the PSR consultation paper and the relationship between the PSR and its Independent Panel.

1.4 Matters arising

The Board noted the matters arising.

The Board discussed the MAS Budget.

The Board noted the correspondence with Andrew Tyrie, MP concerning the Treasury Committee's request to see the FCA's internal audit reports. The Board was keen to resolve this issue but remained concerned about Mr Tyrie's proposals. The Board agreed that Mr Griffith-Jones and Sir Brian Pomeroy should meet Mr Tyrie to investigate whether there were other options and if necessary, seek confirmation that the Committee wished to formally request the internal reports.

1.5 Monthly reports from the Independent Panels

The Board noted the Panel reports and that the key theme arising was the need for clarification of the Panels' relationships with the FCA. In response to a request by the Consumer Panel, the Board discussed the Panel's terms of reference and its public communications plan.

The Board agreed that it should not restrict the Consumer Panel's ability to comment publicly on issues and Mr Griffith Jones would contact the Chair of the Consumer Panel to clarify this.

The Board supported the role of the Panels to advise the Board and the Executive on matters and agreed that it was appropriate for the Panels to challenge the FCA from time to time. To that end, Mr Griffith-Jones suggested that the Panels' reports should also be addressed to and considered by the Executive Committee.

The Board noted that it was important to clarify the extent to which the FCA would share information with the Panels and as a result Mr Martin was preparing a note concerning the handling of sensitive information to be discussed with the Panels.

2 Report from the Chief Executive

The Board received the CEO's report, noting in particular the following points:

- the response of staff since the publication of the Davis Report and the announcement of the restructure and new strategy;
- the FCA was planning to provide further guidance to product providers regarding their obligations under the new pensions regime. The FCA had considered that providers should be required to check certain issues with consumers as a "second line of defence". The Board members would be offered individual briefings and the Board would be asked to consider the final guidance in February;
- the guidance on the "Purdah" period for the general election would be circulated;
- an update on recent events, including the events following the decision of the Swiss national bank to remove the cap on the exchange rate between the euro and the franc; and
- the changes in supervision as a result of the new structure and the amended approach.

3 Specific items of Business

3.1 a) CRO Report to the Board – issues arising from the Davis Report

The Board noted the report from Mr Stewart reflecting on a number of issues.

The Board discussed in detail a number of conceptual and practical questions in relation to the FCA's regulatory approach, its risk framework and the structure of the organisation, including its decision-making structure.

The Board noted the importance of learning lessons from the past to ensure that decision making was devolved to the correct level, that staff focused on the same objectives and strategy and appropriate behaviours were encouraged.

b) Correspondence between the CEO and the External Risk and Strategy Committee Chair

The Board noted the letter from the Chair of the External Risk and Strategy Committee to the CEO and was content with the CEO's response.

The Board reiterated its support for the Director of Risk to be able to speak independently to the Board and its Committees.

3.2 Update on the PPI redress scheme

The Board discussed the proposal to gather evidence on current trends in complaints relating to Payment Protection Insurance (PPI) in order to assess whether the current approach was continuing to meet its objectives of securing appropriate protection for consumers and enhancing the integrity of the UK's financial system.

The Board considered that it was important to announce this work and to be clear that there was no pre-determination of the outcome, but following the evidence gathering, it would consider whether any further interventions were required.

The Board noted the range of options that might be available.

3.3 a) FCA Move to Stratford

The Board noted that the paper was entirely consistent with the proposals brought before the Board in March 2014 including the budget, design and terms of the Agreement for Lease. It noted the presentation on the new building and facilities and delegated authority to the CEO and COO to sign the Agreement for Lease on behalf of FCA.

b) 2014/15 Capital Budget

The Board noted the update on the capital budget.

Mick McAteer left the meeting.

3.4 Scope of the Senior Managers Regime in banking and the Approved Persons Regime for Solvency II insurers

The Board considered the proposals relating to the scope of the Senior Manager regime.

The FCA had consulted on the basis that all non-executive directors should be included in the Senior Manager Regime, an approach that was different to that of the PRA which had proposed that only those NEDs with specific functions should be included. The consultation had elicited a significant number of representations of varying views on this proposal; some were concerned about creating a two-tier Board, while others expressed concerns that the FCA's approach would be an onerous and disproportionate requirement that may deter quality candidates from accepting roles within the sector.

The Board agreed:

- for relevant authorised persons, the FCA should designate the Chair of the Nominations Committee function only (in addition to the functions designated by the PRA);

- the FCA should not require notification of appointment for those NEDs not included within the SMR regime; and
- the FCA should consult on the basis of also excluding generic NEDs from the scope of the FCA's Approved Persons Regime (APR) for Solvency II firms.

3.5 The FCA's approach to product intervention

The Board noted the paper which sought to explain and clarify the approaches adopted for regulatory intervention that strikes an appropriate balance between consumer protection and consumer responsibility.

The Board discussed some theoretical examples of potential interventions and agreed it would be helpful to promote a consistent approach and clear governance. It remained concerned that there was not yet a clear method to assess risk to consumers which would assist in the development of an approach.

The Board discussed a number of different options and highlighted the need to ensure there was guidance on the cumulative effect of holding several different "riskier" products.

The Board agreed that the consideration of a framework was useful and asked the team to refine this for further discussion later in the year.

3.6 Business Plan including Risk Outlook

The Board reviewed the early stage draft and noted the approach to drafting the Plan and its proposed structure which would highlight key priorities.

The Board noted the process by which areas would indicate the potential sensitivity of issues within the document and the handling thereafter to ensure that highly sensitive information was treated appropriately.

The Board supplied comments on the draft, encouraging the team to share further drafts with the Chair and the Chair of the External Risk and Strategy Committee.

3.7 Staff Survey results

The Board noted and discussed the following points:

- the results of the survey had shown that engagement results had improved and were at a high level;
- over the last year the senior management had focused on the areas which staff had indicated mattered most and this had led to positive improvements;
- the FCA Executive would be focusing on developing the people strategy, operational efficiency and the implementation of the new strategy;
- the areas that indicated there was still work to do included career and talent management; ensuring there was appropriate knowledge retention; improvement of the senior leadership decision making processes and communication of their vision of long-term success; and
- the actions being taken to raise the FCA's organisational recruitment profile and to develop its learning pathways and technical competencies.

3.8 Complaints against the FCA

The Board discussed the arrangements for the FCA complaints scheme. It noted that the complaints scheme as set up by statute recognised that the FCA could offer ex-gratia payments to complainants, even though the FCA had exemption from damages in court proceedings.

The Board discussed the proposed approach to responding to the complaints made in relation to the events on 27/28 March 2014 noting that the FCA would consider any individual complainant on its merits and may, in appropriate circumstances, consider making ex-gratia payments.

The Board agreed with the proposed approach, believing it was important that the organisation held itself to account. The Board asked the team to revert back to it should any proposed ex-gratia payment exceed £20,000 or if the payments as a whole were to exceed £100,000.

4 Report from the PRA

The Board received an oral update from Mr Bailey, and noted and discussed the following key points:

- the new appointments that had been made at senior management level at the PRA;
- in the EU, the debate in relation to ring-fencing reforms and capital markets union; and
- the annual review of remuneration for PRA staff.

5 Decisions reserved to the Board

5.1 Rules & Guidance to be determined

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

5.2 Matters requiring a decision of the Board

The Board approved:

- changes in the membership of the Board Committees with effect from 1 April 2015;
- the terms of reference and membership of the Guidance Committee with immediate effect; and
- the Memorandum of Understanding between Bank of England, Financial Conduct Authority, Prudential Regulation Authority and Payment Systems Regulator;

The Board noted the decisions taken outside the meeting on 22 December 2014 and 15 January 2015 respectively:

- the final rules implementing the Transparency Directive requirement to report on payments to governments; and
- the Recovery and Resolution Directive Instrument 2015.

The Board noted that external solicitors and Counsel had been instructed to defend the FCA against two potentially material legal claims. The Board noted the details of each claim and ratified the decision to take such action to defend the claims.

6 Papers for noting

6.1 Minutes of Executive Committee meeting.

The Board noted the minutes of the Executive Committee meetings held on 11 November, 25 November and 9 December 2014.

6.2 Forward agenda

The Board noted the Forward Agenda.

6.3 MAS reappointment follow-up

The Board noted the papers.

7 Any other business

The Chair noted it was Ms Titcomb's last meeting and thanked her for her contribution to the organisation and the Board wished her best of luck for the future.

The Chair reported that he would ask Mr Woolard to attend future Board meetings.

The Board noted the update on the Rosneft case.

8 HBOS Review Update

Mr Griffith-Jones, Ms McDermott and Ms Titcomb left the meeting having previously declared potential conflicts in this matter.

The Board received an oral update from Sir Brian Pomeroy on the progress of the report.

The meeting closed at 5.00pm

Claire Strong
Deputy Company Secretary

ANNEX A: Attendees

Sean Martin	General Counsel
Simon Pearce	Company Secretary
Claire Strong	Deputy Company Secretary
Jennifer Dalby	Manager, Planning and Performance (for item 3.6)
Jacqueline Davies	Director, Human Resources (for item 3.7)
Nausicaa Delfas	Director, Specialist Supervision (for item 3.2)
Mikael Down	Head of Department, Cross Cutting and Prudential (for item 3.2)
David Geale	Director, Policy (for item 3.5)
David Godfrey	Director, Finance & Operations (for item 3.3)
Maria-Jose Barbero	Manager, Early Intervention (for item 3.5)
Graeme McLean	Head of Department, Approved Persons, Passporting & Mutuals (for item 3.4)
Peter Hewitt-Penfold	Manager, Head of Estate Management (for item 3.2)
Christopher Preston	Manager, PPI Redress (for item 3.2)
Nicola Robinson	Head of Department, Head of Organisational Development (for item 3.7)
Alex Roy	Manager, Life, Pensions and Other Products (for item 5.1)
Gavin Stewart	Head of Department, Risk (for item 3.1a)
Emma Stranack	Head of Department, Comms & International - Consumer Comms & Engagement (for item 3.6)
Richard Sutcliffe	Acting Director of Risk, (for item 3.1a)
Christopher Woolard	Director of Policy, Risk & Research Division (for items 3.4, 3.5 & 3.6)
Tim Wald	Head of Department, Head of Operations Services (for item 3.3)
Andrew Whyte	Acting Director, Comms & International (for item 3.2)
Other associates and technical specialists attended for relevant items.	

ANNEX B: Resolution

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

Personal Pension Schemes (Independent Governance Committees)
Instrument 2015 (FCA 2015/2)

Listing, Prospectus and Disclosure and Transparency Rules (Miscellaneous
Amendments No 3) Instrument 2015 (FCA 2015/3)