

Minutes

Meeting:	FCA Board	
Date of Meeting:	07 November 2013	
Venue:	The Grove Hotel, Chandler's Cross, Hertfordshire, WD3 4TG	
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	

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 Minutes

1.1 Minutes of the FCA Board meeting

The minutes of the FCA Board meeting held on 26 September 2013 were approved.

1.2 Matters arising

The Board noted the matters arising from previous meetings and the actions being taken to address them.

1.3 Update on the Oversight Committee meeting

The Board received an oral update from Mr Griffith-Jones, noting the items discussed by the Oversight Committee which included the following:

- the review of the draft National Audit Office (NAO) report on the Money Advice Service (MAS) which was due to be published by the end of the year;
- a review of the MAS's draft business plan;

- a report on the change in approach by the MAS to its debt advice grants, which would be extended to three years (from the current one year arrangements) and the timing changed to allow sufficient notice to be given to the organisations in receipt of these grants of their funding position; and
- the information exchange framework between the FCA and the MAS, which was working well, with examples of co-ordination of work where it was sensible to do so.

The Board would review the frequency and requirement for the Oversight Committee following the business planning round.

1.4 Update on the Remuneration Committee meeting

The Board received an oral report from Ms Davidson, noting the key areas of discussion, which included reviewing the interim assessments for the Directors within the remit of the Remuneration Committee and the remuneration arrangements for staff at Director level.

1.5 Monthly reports from the Independent Panels

The Board received the reports, and noted and discussed the following key points:

- the Practitioner Panel and the Smaller Business Practitioner Panel (SBPP) had some concerns regarding the Cash Savings Market Study; first that they disagreed with the timing of such a study given the unusual position in the business cycle, and second that they had not had an opportunity to provide input into the development of this or other market studies. The Board acknowledged that there had not been any discussion with the Panels prior to the market study given the potentially market-sensitive nature of the information. It agreed that, in future, the Competition team should meet regularly with the Panels so that their views or comments on the issues identified could be considered at an early stage and before any decisions were taken;
- the views of the Consumer Panel in relation to the information technology resources available to the Consumer & Markets Intelligence department. The Board was informed that the Consumer Panel was holding its annual awayday soon and would shortly be communicating its key areas of focus for the forthcoming year; and
- the concerns of the Markets Practitioner Panel about the lack of public reference to the FCA's role and approach to wholesale and markets supervision. Mr Wheatley explained that the FCA had been active in this area but felt that wholesale intervention received less media attention than retail intervention.

2 Specific items of business

2.1 Quarterly Performance Report

The Board discussed the report in detail including the following key points:

- the performance in relation to the Authorisations, Supervision, Enforcement and Markets divisions:
 - the new supervisory approach roll-out meetings were on track to be completed by the end of the calendar year as planned;
 - the number of cases that had been with Enforcement for over 12 months, noting that these included LIBOR cases and cases that were on hold due to investigations by other enforcement agencies, such as the Serious Fraud Office;

- there had been an increase in both whistleblowing contacts received and reports disseminated to the business this quarter and the FCA was considering ways to provide more support to whistleblowers;
- the Board requested more information on the performance of the Markets division, in particular in relation to service level standards;
- the emerging issues and insights from the Policy, Risk and Research division, which the Board believed should include current issues to show a complete picture of the issues in the different sectors;
- the Board agreed that future packs need not include detailed updates on each of the policy areas, only significant changes;
- there had been an increase in external turnover of staff, which was at 8.25% on a 12 month rolling average. It was noted that the majority of leavers reported career progression as the motivation but the Executive was reviewing exit information to understand better the reasons for the increase; and
- the Board agreed that future performance reports relating to different sectors should be accompanied by a paper from the relevant member of staff who should also attend the meeting.

2.2 Professional Indemnity Insurance for Financial Advisors – six month update

The Board noted the report and confirmed it was content with the proposed approach to continue with the ongoing monitoring work but not to take action at this stage.

3 Decisions reserved to the Board

3.1 Rules & Guidance to be determined

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

3.2 Matters requiring a decision of the Board

The Board discussed and approved:

- the UK Competition Network Statement of Intent;
- the appointment of Sharon Campbell as an employer appointed Director of the FSA Pension Plan Trustee Company Ltd for a period of 3 years with effect from 18 December 2013;
- the appointment of Sean Martin as Director of the General Counsel's Division; and
- the appointment of Jacqueline Davies as Director of Human Resources.

4 Reports from Executive Directors and the PRA

4.1 CEO Report

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

- the FCA's role in the Co-op Bank Liability Management Exercise, including reviewing the prospectus; assessing the impact of the proposals on the different classes of shareholders; and the use of the name by the ensuing organisation;

- the statistics for the resolution of the Interest Rate Hedging Products redress scheme would be published shortly. The speed of redress payments had started slowly but was quickly accelerating. A number of the banks had now agreed to separate the redress for the cost of the loan and the redress for resulting issues and this was speeding up resolution of payments;
- Payment Protection Insurance complaints had continued at a high level, mainly because banks had written to consumers who were affected and this had prompted action;
- the progress of the seven day switching initiative, where there had been some anecdotal evidence of instances of delay; and
- an update on significant recent or current enforcement cases.

4.2 PRA Update

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

- progress of plans to stabilise Co-op Bank, the next step of which was the bondholders' vote;
- issues in the insurance sector in relation to annuities and passporting; and
- policy issues that were ongoing, including progression of legislation and outstanding matters that would be pursued via the G20 Financial Stability Board.

5 Any other business

There was none.

6 Papers for noting:

6.1 Minutes of ExCo meeting held on 11 September 2013

6.2 Forward agenda

The Board noted the papers.

7 Specific items of business

7.1 Regulatory Reviews:

i. Co-op Bank

Mr Wheatley, Ms Titcomb, Ms McDermott, Mr Adamson and Mr Bailey declared a conflict in this matter through being members of the Executive Committee and/or a member of the FSA's senior management involved in the supervision of Co-op Bank during the relevant period.

Mr Griffith-Jones declared a conflict in this matter through his former employment as Chairman of KPMG LLP, auditors of Co-op Bank and the Britannia Building Society.

The Board noted these declared conflicts and, after due consideration (and noting that a quorum existed without counting the Interested Directors (as defined in the Articles of Association), who did not vote) authorised them pursuant to Article 10.2, provided that the Interested Directors would be permitted to participate in the discussion of the matter on this occasion but would not be permitted to vote on any of the decisions that the Board was required to make.

Ms Fletcher informed the Board that, while employed by the Office of Fair Trading, she had been involved in the review of the potential effect on competition of the acquisition of Britannia Building Society by Co-op Bank. As the matters to be considered by the Board in relation to Co-op Bank did not relate to competition issues, she did not believe that this represented a conflict. The Board agreed with this view.

Sir Brian Pomeroy took the Chair.

Mr Wheatley and Mr Bailey reported that they had discussed the Co-op Bank and had agreed it would be beneficial for the FCA and the PRA to prepare a lessons learned report and had concluded that they should invite the Treasury to require such a report in accordance with s77 of the 2012 Act.

ii. HBOS

Mr Griffith-Jones left the meeting having previously declared a conflict in this matter through his former employment as Chairman of KPMG LLP, auditors of HBOS.

Ms McDermott declared a conflict in this matter through being a senior member of the FSA's Enforcement division during the relevant period and a Settlement Decision Maker in the enforcement action taken against Peter Cummings.

Mr Adamson declared a conflict in this matter through being a Settlement Decision Maker in the enforcement action taken against Peter Cummings.

Ms Titcomb declared a conflict in this matter through being a member of the Executive Committee of the FSA at the time enforcement action was taken against Peter Cummings.

The Board noted these declared conflicts and, after due consideration (and noting that a quorum existed without counting the Interested Directors (as defined in the Articles of Association), who did not vote) authorised them pursuant to Article 10.2, provided that Ms McDermott, Mr Adamson and Ms Titcomb would be permitted to observe but not participate in the discussion of the matter on this occasion and would not be permitted to vote on any of the decisions that the Board was required to make.

The Board received an update from Sir Brian Pomeroy on the last HBOS Committee meeting. The Committee had also discussed the governance of the report.

The Board then discussed the governance of the report.

The meeting closed at 5.00pm

Claire Strong

Deputy Company Secretary

Annex A: Attendees

Sean Martin Acting General Counsel

Simon Pearce Company Secretary

Claire Strong Deputy Company Secretary

David Godfrey Director, Finance & Operations (for item 2.1)

Zitah McMillan Direction, Communications & International (for item 7.1)

Gavin Stewart Head of Department, Risk and Strategy (for item 7.1)

Christopher Woolard Director, Policy Risk & Research (for item 2.1)

Relevant Associates also attended the meeting

ANNEX B: Resolution

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

Controllers and Close Links Reporting (Amendment) Instrument 2013

Referral Fees Regulations (Enforcement Guidance) Instrument 2013

Prospectus Rules (Amendment) Instrument 2013

Perimeter Guidance (Regulated Advice) Instrument 2013