

Minutes

Meeting:	FCA Board	
Date of Meeting:	2 & 3 December 2015	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Andrew Bailey	Mick McAteer
	Catherine Bradley	Tracey McDermott
	Amanda Davidson	Jane Platt
	Amelia Fletcher	Sir Brian Pomeroy
	John Griffith-Jones (Chair)	Christopher Woolard
In attendance:	Set out in Annex A	

Quorum and Conflicts

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

1 Specific items of business

1.1 Actions from Board Effectiveness Review

The Board received the Board effectiveness report which had been discussed in draft with Dr Long in October.

The Board considered the recommendations noting that the majority were either underway or would require some refinement of current arrangements. The Board agreed to take forward all the recommendations, save for one which would be considered further once the Board members currently being recruited had taken up their positions. The Board agreed that it should review progress with the actions within six months.

The Board had previously agreed it should publish the report and also the review from 2014. The Board agreed the report should be shared with the Treasury Committee Chair in advance of publication and the authors of the reports should be given notice of the date of publication.

1.2 Prudential categorisation of firms

The Board received the information and the update from Ms Butler. It noted the following points:

- the ways that firms were categorised and the supervisory approach to firms in each category;

- the categories were reviewed every six months to ensure the assessment of firms continued to be appropriate;
- there were certain manual interventions to apply to firms that had particular impact in the market, which might include firms not initially appearing to have significant prudential risk, such as consumer credit firms; and
- thematic work was carried out on the remainder of the firms and further work was due to be completed on resolution planning for the broader population.

1.3 Decisions of the Board

The Board agreed:

- to reappoint Alex Kuczynski as an Executive Director of the FSCS from 1 February 2016 until 31 January 2019;
- to reappoint Marian Glen and Charles McKenna as non-executive Directors of the FSCS from 1 February 2016 until 31 January 2019;
- to appoint Jimmy Barber and Kathryn Sherratt as Executive Directors of the FSCS Board at dates to be confirmed after the FSCS completes due diligence (subsequently confirmed as 4 January 2016 and 15 December 2015);
- to extend the term of office of Andrew Long as Deputy Chair of the Regulatory Decisions Committee (RDC), to enable him to complete or hand over four cases on which he is currently engaged during early 2016;
- to extend the term of office of David Ashton as Acting Deputy Chair of the RDC, to enable him to complete or hand over two cases on which he is currently engaged during early 2016;
- to terminate the contract of Peter Hinchliffe as Acting Chair of the RDC and to reappoint him as Deputy Chair of the RDC for a three-year term until the end of December 2018;
- to extend the term of Nicola Beattie as a member of the RDC until the end of December 2018;
- to appoint Mark Austin as a member of the FCA Listing Authority Advisory Panel for three years from 4 December 2015 to 3 December 2018; and
- to re-appoint Caroline Rookes as a Director and CEO of the Money Advice Service from 1 February 2016 for a three year term subject to Treasury approval.

1.4 Rules & Guidance to be determined

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

1.5 The FCA's approach to product intervention

The Board received the paper and in the discussion that followed noted the following points:

- the risks of most concern that were most likely to lead to product intervention, how much the FCA should intervene in this way to protect consumers and how the FCA could achieve greater consistency in product interventions;
- the Executive proposed that each case be considered on its merits and that the options should be reviewed against their relative effectiveness, speed, cost, impact and the effect on competition in order to mitigate the risks to the FCA's objectives; and

- the degrees of intervention which could be considered, depending on the assessment of the product issues, risks and market context and the examples of where the FCA had previously taken action in different circumstances.

The Board queried how to measure whether interventions had been effective, noting that the FCA could choose to do a post-implementation review of any intervention. The Board supported the framework as a means of analysing issues more consistently and for the class of intervention to be linked to the potential for consumer detriment.

1.6 FSCS Budget and Plan for consultation

The Board noted the draft budget for the FSCS Management Expenses Levy Limit provided for 2016/17. It noted that the proposal forecast a reduction from 2015/16 of 2.5% and included provision for the strategic change portfolio, including improvements to existing IT systems. The Board approved the budgeted expenses of £67.4m and a contingency reserve of £5.3m for consultation.

The meeting adjourned at 7.00pm.

The meeting re-convened at 9.45am on Thursday 3 December 2015.

2 Minutes and meetings

2.1 Minutes of the FCA Board meeting

The Board approved the minutes of the FCA Board meetings held on 21 and 22 October & 5 November 2015.

2.2 Minutes of the Oversight Committee

The Board noted the draft minutes of the Oversight Committee meetings held on 11 and 25 November 2015 and received an oral update from Mr Griffith-Jones.

2.3 Minutes of the Audit Committee

The Board noted the draft minutes of the Audit Committee meeting held on 19 November 2015. Sir Brian provided an update on the issues considered by the Committee, which had included a review of the status of internal audit reports.

2.4 Oral update on the Remuneration Committee

Ms Davidson provided an update on the Remuneration Committee meeting held on 19 November 2015 noting that the Committee had reviewed the objectives of the Directors for whom it was responsible.

2.5 Oral update on the PSR Board meeting

The Board received an update from Mr Griffith-Jones on the meeting of the PSR Board held on 27 November 2015.

Mr Griffith-Jones noted that under the current governance arrangements, the non-executive members of the PSR Board were all members of the FCA Board. He reported that the PSR Board believed, however, that it would benefit from having a non-executive director with particular technical experience of relevance to payment systems, and he did not think such experience would be provided by any of the persons currently being considered for appointment to the FCA Board. He was therefore considering the possibility of appointing an external non-executive director to the PSR Board who would not be on the FCA Board but would be able to provide such experience. The Board acknowledged the need for such skills and experience and noted that such an appointment also should be considered in the

context of a wider review of the governance of the PSR. The Board asked for some further information prior to a decision being made to begin a recruitment process.

2.6 Matters arising

The Board noted the progress with the matters arising.

2.7 Monthly reports from the Independent Panels

The Board reviewed and discussed the reports from the Independent Panels. In particular it noted:

- the Practitioner Panel's suggestion regarding feedback after Board meetings; the Chair agreed to talk to the Practitioner Panel Chair to discuss the input and feedback process.
- the Practitioner Panel's proposal to carry out the annual survey of practitioners in 2016/17, which it supported;
- the NAO was talking to the Panels as part of its review of value for money in relation to the way the FCA, FOS and FSCS worked together to detect problems and secure redress for consumers associated with mis-selling;
- the SBPP's comments in relation to the Difference in Charges model of remuneration in the motor finance sector and suggested it should be input into the retail lending house view analysis; and
- the comments of the Consumer Panel in relation to the funding model for the England illegal money lending team about which the FCA had written to HMT.

3 Report from the Chief Executive

The Board received the report from Ms McDermott and noted the following points:

- an update on the complaint from Mr Wilson and that the Executive would be re-considering the decision not to look into the allegations made in relation to historic practices at HFC; and
- the examples of management information provided by the contact centre.

4 Specific items of business

4.1 PSR Budget and Plan for consultation

The Board noted the draft work programme and budget for the PSR for 2016/17. It noted that the proposal forecast a reduction from 2015/16 and included the absorption of interchange fee regulation. The plan had a strong focus on competition and innovation. The Board supported the plan.

4.2 FOS Budget and Plan for consultation

The Board noted the draft FOS budget and plan for 2016/17. It noted that in general casework workloads were stable, although it was expected that cases relating to packaged bank accounts would decrease in 2016/17. There was some uncertainty about Payment Protection Insurance cases following the FCA's recent consultation but the Ombudsman Service considered the plans presented to the FCA Board outlined a sensible budget envelope for consultation. The Board noted case fees would remain the same as 2015/16 and that there would be no increases to the levy.

The Board agreed the budget of £264.2m for consultation.

The Board noted and agreed the revised MOU between FOS and the FCA.

The Board noted FOS's intention to comply with the Online Dispute Resolution Regulation when it comes into force in January 2016 and that the Board would be asked to take a formal assessment decision in early 2016.

4.3 MAS Budget and Plan for consultation

The Board noted the draft budget and Plan for the Money Advice Service for 2016/17. It noted that the MAS was working on the recommendations of the Farnish review. The Board also noted that the budget of £75.1m was lower than that originally discussed with the Oversight Committee and that this had been achieved by decreasing the face to face advice services more quickly than originally planned.

The Board agreed the budget for consultation.

4.4 Reactions to HBOS Report

The Board noted that Mr Griffith Jones and Ms McDermott had previously declared an interest in this matter, however as the report had now been published, authorised them to remain in the meeting and take part in the discussion.

The Board noted that the report had been published as planned and a Press Conference had been held on the day of publication. The independent reviewers' report had been published on the same day.

It was noted that Sir Brian and Mr Bailey would be attending the Treasury Committee on 15 December 2015 to give evidence about the report.

The Board had previously accepted all the recommendations in the report and noted that the Executive was considering whether any other former senior managers of HBOS should be the subject of an enforcement investigation with a view to prohibition proceedings.

The Board noted the comments in the independent reviewers' report which suggested the way in which future reports might be carried out. The Board agreed that it should review the previously-agreed definitions of regulatory failure and the process in place to ensure proper consideration of the extent to which any incident should be investigated.

4.5 Report from the PRA

The Board noted the verbal report from Mr Bailey.

4.6 Implementing MiFID II

The Board received the paper and noted the progress of the implementation of the Markets in Financial Instruments Directive II (MiFID II) legislation. The Board noted the planned timing of consultation of changes to the handbook.

The Board approved the consultation for publication.

The Board noted that the outline business case would be brought to the Board early in 2016 and agreed it would be helpful to receive a briefing on the MiFID II timetables and content.

4.7 Cash Saving Market Study: remedies

Ms Platt declared an interest as CEO of NSI. The Board noted the interest and authorised it pursuant to article 8.1.

The Board noted that in January 2015, the FCA had published the final findings and proposed remedies arising from the Cash Savings Market Study and that, following consultation earlier in the year, it was proposed that a combined feedback and policy statement be published. This would include final rules in relation to disclosure and switching remedies.

The Board also noted the difficulties in relation to sunlight remedies regarding the publication and presentation of information and the work being done to mitigate any risks.

Having considered these points, the Board supported the proposed changes.

5 Decisions reserved to the Board

5.1 Rules & Guidance to be determined

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

6 Papers for noting

6.1 Minutes of the Executive Committee meetings

The Board noted the minutes of the Executive Committee meetings held on 16, 22, 28 and 29 September 2015, and 20 October 2015

6.2 Forward agenda

The Board noted the forward agenda.

Ms McDermott and Mr Woolard left the meeting

6.3 NED / CEO Recruitment update

Mr Griffith-Jones gave an update on the progress of the NED and CEO recruitment exercise.

7 Any other business

There was none.

Claire Strong
Deputy Company Secretary

ANNEX A: Attendees

Megan Butler	Director, Supervision – Investment, Wholesale & Specialists (until and including item 4.5)
Sean Martin	General Counsel (except item 6.3)
Simon Pearce	Company Secretary
Claire Strong	Deputy Company Secretary (except item 6.3)
Nick Bayley	Head of Department, Markets Policy & International (for item 4.6)
Andy Briscoe	Chairman of Money Advice Service (for item 4.3)
Julia Cavanagh	CFO at Financial Ombudsman Service (for item 4.2)
Lawrence Churchill	Chairman of Financial Services Compensation Scheme (for item 1.6)
Nausicaa Delfas	Director, Supervision (for item 1.2)
David Geale	Director, Policy (for items 1.5, 1.6, 4.7, 5.1)
Cosmo Gibson	Manager, Redress Policy (for item 4.2)
Stephen Hanks	Manager, MPI - MiFiD Coordination (for item 4.6)
Jed Hodgson	Manager, Strategy & Competition – Consumer Partnerships (for item 4.3)
Richard Johnson	Manager, Strategy & Competition - Governance & Professionalism (for item 5.1)
Deborah Jones	Director, Competition (for item 4.7)
Robin Jones	Head of Department, Head of Prudential (for item 1.2)
David Lawton	Director, Markets Policy & International (for item 4.6)
Graeme McLean	Head of Department, Approved Persons, Passporting & Mutuals (for item 4.3)
Mark Neale	Chief Executive of Financial Services Compensation Scheme (for item 1.6)
Hannah Nixon	Managing Director, PSR (for item 4.1)
Jonathan Phelan	Head of Department, Strategy & Competition – Consumer Insight (for item 4.4)
Caroline Rookes	Chief Executive Money Advice Service (for item 4.3)
Caroline Wayman	Chief Executive of Financial Ombudsman (for item 4.2)

Relevant associates and technical specialists also attended the meeting.

ANNEX B: Resolution

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

European Long-Term Investment Funds Regulation Instrument 2015 (FCA 2015/66)

Individual Accountability (Non-Solvency II Firms) Instrument 2015 (FCA 2015/55)

Training and Competence Sourcebook (Qualifications Amendments No 13)
Instrument 2015 (FCA 2015/56)

Personal Pension Scheme Operators (Capital Requirements) (Amendment)
Instrument 2015 (FCA 2015/58)

Mortgage Credit Directive (Amendment No 2) Instrument 2015 (FCA 2015/60)

Supervision Manual (Amendment No 21) Instrument 2015 (FCA 2015/62)

Supervision Manual (Notification Form) (Amendment) Instrument 2015 (FCA
2015/63)

General Provisions (Amendment) Instrument 2015 (FCA 2015/68)

ANNEX C: Resolution

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

Accountability (Foreign Branches) Instrument 2015 (FCA 2015/67)

Individual Accountability (Enforcement) Instrument 2015 (FCA 2015/64)

Capital Resources and Professional Indemnity Insurance Requirements for Personal Investment Firms (No 2) Instrument 2015 (FCA 2015/57)

Banking: Conduct of Business Sourcebook (Amendment No 4) Instrument 2015 (FCA 2015/59)

Dispute Resolution: Complaints Sourcebook (Amendment No 5) Instrument 2015 (FCA 2015/65; FOS 2015/9)

The Board hereby approves the making by the Board of the Financial Ombudsman Service Ltd of that part of the following instrument which falls within the responsibility of that organisation:

Dispute Resolution: Complaints Sourcebook (Amendment No 5) Instrument 2015 (FCA 2015/65; FOS 2015/9)