

Minutes

Meeting:	FCA Board	
Date of Meeting:	21/22 October 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 Board Effectiveness feedback to the Board

Dr Tracy Long attended the meeting to discuss her review of the effectiveness of the Board prior to her preparing her report. The Board noted the key themes arising and discussed the strengths of the current Board and the challenges identified for the future.

The Board agreed it would consider the recommendations in detail when Dr Long produced her report.

2 Minutes and meetings

2.1 Minutes of the FCA Board meeting

The Board approved the minutes of the FCA Board meetings held on 23/24 September and 29 September 2015.

2.2 Minutes of the Oversight Committee

The Board noted the draft minutes of the Oversight Committee meeting held on 23 September 2015.

2.3 Minutes of the Audit Committee

The Board noted the draft minutes of the Audit Committee meeting held on 6 October 2015 at which the outline business case for the IS Sourcing programme had been considered.

2.4 Oral update on the Remuneration Committee

Ms Davidson gave an update on the Remuneration Committee meeting held on 29 September which considered interim assessments of individuals under the Committee's remit and succession planning for senior management. The Board noted that the Committee would consider objectives for Staff Directors at its meeting in November.

2.5 Minutes of the PSR Board meeting and an oral update on the PSR Strategy day

The Board noted the draft minutes of the PSR Board meeting held on 30 September 2015 and the update from Mr Griffith-Jones. Mr Griffith-Jones also gave an update on the PSR Board Strategy day also held on 30 September.

The Board noted the discussions in relation to the membership of the PSR Board. It agreed that any decision on whether to appoint another Non-executive Director would be taken once the recruitment of the FCA CEO and Non-Executive Directors was complete after taking account of their expertise and experience. The Board agreed that it should consider the governance of the PSR and its relationship with the FCA once the person appointed as Chief Executive of the FCA was in place.

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 Chairs of the Panels, noting in particular:

- Mr Griffith-Jones and Ms McDermott had each attended the most recent meeting of the Practitioner Panel. Ms McDermott also attended the meeting of the Smaller Business Practitioner Panel and the Consumer Panel;
- the comments from the Practitioner Panels in relation to effective and sustainable regulation, including how the FCA was responding to the points made, and interactions with the NAO on value for money; and
- recent engagement between the Chairs of the Practitioner and Consumer Panels, which was welcomed by the Executive as it would help encourage further collaboration between the Panels in areas of common interest.

3 Report from the Chief Executive

The Board received the report from the CEO and noted the following points:

- an update on the provisional findings of the Competition and Market Authority's retail banking market investigation and the next steps required to co-ordinate with relevant bodies and to provide a response;
- issues of regulatory scope;
- the Financial Advice Market Review's call for input was published on 12 October 2015; and

- the consideration the Executive had given to the potential options for a regulatory “sandbox” on which it would consult.

4 Specific items of business

4.1 Performance Report

The Board received the report and noted and discussed the following points:

- all Executive Committee level appointments, except for the CEO position, had been made;
- there had been a slight increase in staff turnover albeit within the overall risk tolerance;
- the basis on which the Executive was planning for the 2016/17 budget which would be discussed at the strategy day. The Board highlighted that the Executive should ensure that recruitment was contained in line with the planning assumptions;
- the performance of the various IS service applications and consideration of the development of shared systems in conjunction with the Bank of England;
- significant progress had been made against the delivery of commitments made in the business plan. The Board noted that the method of delivery of some commitments had been changed to ensure the appropriate impact.
- there had been an improvement in the performance against statutory service standards in the Authorisations Division. The Board noted the benchmarking of the contact centre via accreditation;
- the information provided in the report relating to supervision metrics would be reviewed further to demonstrate more clearly of how the new supervision model was being embedded.

4.2 Sourcing Programme Outline Business Case

The Board considered the revised Sourcing Programme scope and outline business case (OBC). It discussed the paper in depth and noted the following points:

- the FCA had a number of key outsourced IS contracts coming to an end between 2015 and 2018 which would need to be re-tendered. The Sourcing Programme intended to update the way in which the FCA procured and consumed IT services and would address issues of transparency, knowledge and control, quality and value for money;
- the OBC for the Programme had been previously agreed by the Board in December 2014, however the programme has since revised the OBC in response to scope changes and changes to business case assumptions;
- the Audit Committee had received a detailed technical briefing and had reviewed the revised OBC, seeking clarification on a number of points, particularly in response to issues highlighted in the assurance report. It had also challenged the Executive on the indicated benefits and the changes to the OBC. It recommended the business case to the Board for approval.

The Board noted that the Executive Committee reviewed the programme and agreed the oversight should be strengthened. The Board noted that ExCo had requested that the programme team should provide the Executive Committee with a better understanding of the role of the Sourcing Programme within the IS strategy, including how it contributed to

strategy outcomes; and the key dependencies between sourcing and other initiatives prior to seeking Board approval.

The Board asked the team to document the changes to the benefits set out in the revised OBC and analyse the root cause of the changes so that lessons were learned for future programmes. In addition it agreed that it would be helpful to see the programme in relation to its critical dependencies of both investment costs and timing of the various strands to understand how the elements fitted together.

The Board agreed that the Executive should return with a proposal to ensure the programme could continue to progress for the period November 2015 – January 2016 and then return early in 2016 with a revised proposal.

4.3 Consumer Credit Authorisations risk appetite update

The Board noted the update and discussed the following points:

- the volume of work had decreased slightly and the Division had implemented a number of improvements to processes. Whilst further improvements could be made to productivity the assessment of the risk that the statutory deadlines would not be met had reduced;
- the Division relied on the continued retention of staff required to complete the assessment of cases until the end of the project and this required incentivising them to stay and finding ways in which to use their skills following the completion of the project;
- to date very few firms had been declined authorisation although a significant number had withdrawn when they became aware they were unlikely to meet the acceptance criteria;
- some firms that had been declined were seeking to have the decision considered by the regulatory decisions committee and may also appeal to the Tribunal; and
- the executive was working with certain firms, particularly debt management firms, to ensure that their clients were not disadvantaged if the firms did not meet the authorisation requirements.

4.4 Update on the FCA's compliance with the Senior Manager Regime

The Board noted the progress with the development of the responsibilities map and agreed the general approach. It noted the draft statements of responsibility for the Chair and CEO.

The Board noted that the map and statements could, if appropriate be different to those required for financial firms due to the nature of the business, and that the FCA's structure was relatively straightforward. It agreed that the PSR, as a subsidiary of the FCA, should prepare a responsibilities map.

4.5 Report from the PRA

The Board noted the report from Mr Bailey, including the following points:

- the Governor's speech on the EU;
- the publication of the submission in relation to CRDIV; and
- the results of the stress tests would be published on 1 December.

5 Decisions reserved to the Board

5.1 Rules & Guidance to be determined

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

Mr McAteer left the meeting at 3.20pm.

5.2 Decisions of the Board

The Board approved the reappointment of Jonathan Douglas and Richard Hughes as Non-executive Directors of the Money Advice Service for further terms of two years from 4 January 2016 to 3 January 2018.

The meeting adjourned to allow the Board to attend on behalf of the FCA a General Meeting of the Payment Systems Regulator Limited (PSR) to consider and agree amendments to the Articles of Association of the PSR.

The General Meeting of the PSR having been held, the Board meeting resumed.

6 Papers for noting

6.1 Minutes of the Executive Committee meetings

The Board noted the minutes of the Executive Committee meetings held on 14 July, 28 July and 8 September 2015.

6.2 Forward agenda

The Board noted the forward agenda.

7 Any other business

The Board agreed to form a Nominations Committee which would consist of all Non-executives and be chaired by the Chairman.

8 Private session for Chair and NEDs only to update on CEO and NED recruitment process

Mr Woolard left the meeting.

Mr Griffith Jones provided the Board with an update on the recruitment process for new Non-executive Directors.

Ms McDermott left the meeting and Mr Griffith Jones provided the Board with an update on the process to recruit the Chief Executive.

9 HBOS Review Update

Mr Griffith-Jones left the meeting having previously declared potential conflicts in this matter. Mr Woolard re-joined the meeting

The Board received an update from Mr Pomeroy. The Board noted the factors affecting the timing of publication of the report.

Claire Strong
Deputy Company Secretary

ANNEX A: Attendees

Sean Martin	General Counsel (except item 8)
Simon Pearce	Company Secretary
Claire Strong	Deputy Company Secretary
Megan Butler	Director, Supervision - Investment, Wholesale & Specialists
Jonathan Davidson	Director, Supervision – Retail & Authorisation (for item 4.4)
Jacqueline Davies	Director, Human Resources (for item 4.5)
David Fisher	Head of Department, Credit Permissions (for item 4.4)
Gina Gill	Manager, Business and Technology Solutions (for item 4.2)
David Godfrey	Chief Operating Officer (for items 4.1 & 4.2)
Gareth Lewis	Director, Business and Technology Solutions (for item 4.2)
Georgina Philippou	Director, Enforcement Market Oversight (for items 4.1, 4.2 & 4.5)
Val Smith	Head of Department, Credit Authorisations (for item 4.4)

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:

Handbook Administration (No 39) Instrument 2015 (FCA 2015/50)

Corporate Governance Code and Miscellaneous Amendments Instrument 2015 (FCA 2015/51)

Fees (Payment Systems Regulator) (Indirect Billing) Instrument 2015 (FCA 2015/52)

Reporting Requirements: Compliance Reports (Amendment) Instrument 2015 (FCA 2015/53)