

## Minutes

Meeting:	FCA Board	
Date of Meeting:	24 March 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	Martin Wheatley
	John Griffith-Jones (Chair)	
In attendance:	Set out in Annex A	
Apologies:	Jane Platt	

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### 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 held on 25 & 26 February 2015

The Board approved the minutes of the FCA Board meeting held on 25 & 26 February 2015 subject to some minor amendments.

##### 1.2 a) Minutes of the Audit Committee held on 17 March 2015

Sir Brian Pomeroy provided an update on the Audit Committee held on 17 March 2015, which included a review of the way in which the complaints scheme operated, an annual report on the finances of the Pension Plan and an update on the PSR.

##### b) Oral update of the Remuneration Committee meeting held on 17 March 2015

Ms Davidson provided an update of the Remuneration Committee meeting held on 17 March 2015, at which the objectives for 2015/16 of those directors within the Committee's remit had been reviewed.

##### 1.3 Matters arising

The Board noted the progress with matters arising.

The Company Secretary reported that the planning for an effectiveness review had commenced and, as previously agreed by the Board, this would be conducted by an independent external firm.

Mr Griffith-Jones reported on the correspondence with Mr Tyrie, MP in relation to the Treasury Committee's request for the FCA to share its Internal Audit reports with the Committee. The Board noted the discussions that Mr Griffith-Jones and Sir Brian Pomeroy had had with Mr Tyrie and the proposed arrangements for sharing the report, but remained concerned that the potential detriment to the efficiency and effectiveness of the internal audit process outweighed the value of disclosure or publication. There was a discussion in which a number of differing views were expressed. However on balance, the Board recognised the importance of the arrangements for ensuring the FCA's accountability to Government and Parliament and of having a constructive relationship with the Treasury Committee and so agreed that it should accede to the request. It agreed it should provide the Treasury Committee copies of redacted internal audit reports one year after being provided to the FCA's Audit Committee whilst reiterating its concerns about the effect of disclosure or publication.

#### 1.4 Monthly reports from the Independent Panels

The Board noted the matters raised by each of the Panels in their reports, including in particular:

- the arrangements for information sharing with the Panels; and
- the support expressed by each of the Panels for retaining certain flexibility currently available under MCOBS when implementing the mortgage credit directive.

## 2 Report from the Chief Executive

The Board noted and discussed the following points:

- the resource and planning impact on the FCA of a number of issues announced in the budget, particularly the pensions reforms and the "regulatory sandbox";
- the detail of the 42 intelligence notifications provided by the Bank of England which had been put through the appropriate triage process;
- the potential settlements under discussion in respect of significant enforcement actions;
- the emerging findings of the Fair and Effective Markets Review which might have resource requirements for the FCA; the FCA Board would discuss this further in April; and
- discussion of the Plevin vs Paragon case.

#### 2.2 Structure of Supervision

Mr Wheatley explained the final proposals for the re-organisation of the Supervision Division into two parts and the arrangements for the interaction between them.

The Board noted that there were recruitment processes underway for a number of Executive roles, including the Chief Operating Officer, the Director of Enforcement, the Director of Communications and the Director of Risk. The recruitment for the new Supervision Director had only just started. Each of these roles were currently held by individuals in an acting up capacity.

Mr Bailey joined the meeting at 11.15am.

### **3 Report from the PRA**

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

- certain issues that would need to be considered in relation to the implementation of the EU Deposit Protection Guarantee Directive; and
- the proposed takeover of TSB.

### **4 Specific items of Business**

#### **4.1 Costs in asset management**

The Board noted the initial analysis of the asset management market and the assessment of the current scale of different costs within the value chain. The Board discussed the results of this and the gap analysis of recent and forthcoming FCA regulatory and supervisory work and other EU and international initiatives. It noted that the EU reforms under MiFID II and PRIIPs would increase transparency of costs in distribution, services and transactions and that the FCA would use the market study planned later in the year to look at the issues after analysing the potential impact of any interventions.

The Board supported the work proposed, including that to raise awareness among consumers. The Board encouraged the Executive to review the consumer behaviour in this area and to consider the relationship between the cost and value for money.

#### **4.2 Mortgage Credit Directive & Second charge lending Policy Statement**

The Board discussed the proposals for the implementation of the Mortgage Credit Directive. In particular, the Board noted and discussed the proposal to maintain the existing exemption for affordability assessments for changes to mortgage contracts which did not require any additional borrowing with the same lender, but not to maintain the exception for such borrowing with a new lender. The Board noted the supportive comments from the independent Panels in relation to the retention of all the exceptions.

The Board agreed with the policy proposals. The Board recognised that it was unable to make the necessary rules until the appropriate legislation was passed. Once this had been enacted, the Board would be ready to receive a request to make the rules by written procedure outside the meeting.

#### **4.3 Davis report recommendations**

The Board noted and discussed the progress with the Davis report recommendations. It was satisfied with the work that had been done towards completion of the actions to date and asked the Audit Committee to keep the list under review. The Board emphasised that it was important to ensure the cultural aspects of the recommendations were embedded and noted the engagement that had already been carried out with the leadership teams across the organisation.

#### **4.4 Controls in Communications Division**

The Board noted the progress made to date on implementing the recommendations to review the media handling processes and procedures. Mr Whyte presented the draft operational handbook which aimed to formalise the controls and practices in the Press Office, the principles of which were being translated to the rest of the Division.

The Board suggested some areas for further clarification in relation to the involvement of the business with the press office in determining the appropriate handling of items.

The Board agreed to provide any drafting comments to Mr Whyte and authorised Mr Woolard to approve the content of the Press Office Handbook and its use for internal purposes only and supported the development of similar handbooks for other teams in the communications division.

#### 4.5 Divisional report – Authorisations

The Board received the report from Ms De Mont which set out the role the Authorisations Division played at the gateway, the changes made over the past two years and the potential future challenges and areas of focus. The Board discussed a number of case studies illustrating some of the issues, including the business model threshold condition, pre-application engagement with firms, authorisation of consumer credit firms and passporting.

The Board welcomed the update and noted the changes to the organisational structure would enable closer working between authorisation and supervision colleagues.

#### 4.6 FOS budget and Business Plan for approval

The Board approved the budget of £270.3m. The Board agreed that the Executive should continue to encourage the FOS to deliver against its plan, reduce reserve levels and demonstrate value for money and operational efficiency.

#### 4.7 MAS budget and Business Plan for approval

The Board noted that the review of MAS, carried out by Ms Farnish, had now been published. The Board noted the amendments proposed by MAS to its budget submission and agreed:

- the revised budget of £81.1m for 2015/16;
- that the use of £2.2m reserves was appropriate for impacted clients if these rose above 66,000;
- that any unused funds of the £3.8m set aside for impacted clients should potentially be returned to levy payers. This should be considered by the Oversight Committee at the time; and
- to inform the MAS that the FCA would not be open to the MAS returning for additional funds.

The Board also agreed that any proposals for change of use of the funds could be considered and approved by the Oversight Committee.

#### 4.8 Prudential supervision

The Board received the operational update on the prudential supervision model and noted the areas that would be further enhanced in future.

It discussed the risks and challenges in the sector, having noted the observations on market developments, the resources applied to this area of regulation and the way in which firms were classified.

## **5 Decisions reserved to the Board**

### 5.1 Rules & Guidance to be determined

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

The Board noted that it would be asked to make the Instruments relating to the Mortgage Credit Directive by correspondence when relevant legislation had been enacted.

## 5.2 Matters requiring a decision of the Board

The Board approved:

- the revised Board Committee membership.
- the appointments of Caroline Fawcett, Michael Dailly, and Nicola Bruce as Directors of MAS for a three year period from 1 April 2015 to 31 March 2018.
- the appointment of Christopher Morson as a Director of MAS for a three year period from 1 September 2015 to 31 August 2018.
- the extension of Peter Hinchliffe's term as Acting Chair of the Regulatory Decisions Committee (RDC) until 31 July 2015.

The Board noted the decisions which were previously taken outside the meeting:

- Retirement Guidance Guarantee (approved 5 March 2015)
- PCBS Accountability (approved 13 March 2015)

## **6 Papers for noting**

### 6.1 Forward agenda

The Board noted the Forward Agenda.

## **7 Any other business**

There was none.

## **8 HBOS Review Update**

Mr Griffith-Jones and Ms McDermott 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 likely timing for approval and publication.

Claire Strong  
Deputy Company Secretary

## **ANNEX A: Attendees**

Sean Martin	General Counsel
Simon Pearce	Company Secretary
Claire Strong	Deputy Company Secretary
Christopher Woolard	Director of Strategy & Competition Division
Riccardo Curcio	Technical Specialist, Wholesale Banking and Investment Management (for item 4.1)
Susan De Mont	Director, Authorisations (for item 4.5)
Nausicaa Delfas	Director, Specialist Supervision (for item 4.8)
Robin Finer	Head of Department, Competition (for item 4.1)
Jules Gascoigne	Manager, IS Technology Security (for item 4.3)
David Geale	Director, Policy (for items 4.6)
David Godfrey	Acting Chief Operating Officer (for item 4.3)
Jed Hodgson	Manager, Partnership and Intelligence Gathering (for item 4.7)
Jonathan Phelan	Head of Department, Consumer and Markets Intelligence (for item 4.8)
Gerald Sampson	Manager, Prudential Specialists (for item 4.8)
Richard Sutcliffe	Acting Director of Risk (for item 4.2)
Esther Wandel	Manager, Asset Management and Funds (for item 4.1)

Relevant associates and technical specialists also attended the meeting.

## **ANNEX B: Resolution**

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

Handbook Administration (No 37) Instrument 2015 (FCA 2015/11)

Fees (Miscellaneous Amendments) (No 8) Instrument 2015 (FCA 2015/12)

Fees (Pensions Guidance) Instrument 2015 (FCA 2015/13)

Fees (Payment Systems Regulator) Instrument 2015 (FCA 2015/14)

Financial Services Compensation Scheme (Management Expenses Levy Limit 2015/16) Instrument 2015 (FCA 2015/15)

Solvency II Instrument 2015 (FCA 2015/16)

Prudential Sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (Amendment) Instrument 2015 (FCA 2015/17)

Listing Rules (Sponsors) (Amendment No 6) Instrument 2015 (FCA 2015/19)

Prospectus Rules (Amendment No 2) Instrument 2015 (FCA 2015/20)