

## Minutes

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| Meeting:         | FCA Board  |                   |
| Date of Meeting: | 26 June 2014   |                   |
| Venue:           | 25 The North Colonnade, Canary Wharf, London E14 5HS |                   |
| 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                                   |                   |

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### 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 5 June 2014 were approved.

#### 1.2 Matters arising

The Board noted the progress in respect of the matters arising.

#### 1.3 Monthly reports from the Independent Panels

The Board received the reports from the Consumer Panel, Practitioner Panel and Smaller Business Practitioner Panel and discussed a number of issues, in particular noting the following items:

- the Practitioner and Smaller Business Practitioner Panels' comments on the interim findings of the cash savings market study report had been considered by the team drafting the document. The Board agreed that the positioning of the paper and terminology around "interim report" and "consultation" needed to be clear, given the differences in language used by other competition regulators and the FCA. The Board

felt that the terminology for such reports in future should be aligned to the FCA's existing practice where possible; and

- the Consumer Panel's positive comments in respect of the interest-rate cap on high-cost short-term credit (HCSTC) but their view that the FCA's definition of high-cost short-term credit was too narrow and should include 'mainstream' sources of credit.

#### 1.4 Year Two Communication Strategy

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

- the communications during the first year of the FCA had been around building confidence in and an understanding of the FCA's work through linking disparate work together (using pipelines) and demonstrating action against the objectives. The result was that financial conduct and the FCA's expectations were understood broadly by a range of stakeholders, although there was still some work to do to ensure tone of communication was consistent across the organisation and to build on thought leadership pieces in future;
- in the second year, the strategy would be to focus on strategic outcomes and link these to the FCA's mandate whilst delivering the evidence with a clear and constructive tone;
- further work was being undertaken with the Supervision Division to look at how best to interact with smaller firms categorised as C3 or C4 using a variety of methods, including splitting communications by sector or by location and using different media such as webinars, videos and podcasts; and
- the Board agreed that the FCA's effective use of the media was an essential part of both its communications and deterrence toolkit.

#### 1.5 Discussion paper on the use of dealing commissions

The Board received the paper and noted and discussed the following key points:

- how other EU countries were approaching the ESMA consultation;
- the issues in the discussion paper remained contentious for the industry given the significant change that unbundling research from dealing commissions would pose; and
- the paper was due to be published during July.

## 2 CEO Report

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

- the FPC announcement that morning had set out new recommendations on mortgage stress testing and limitations on loan to income multiples;
- the issues that were being discovered in the consumer credit sector and the supervision and enforcement work underway to address some undesirable practices;
- the support being provided to the Fair and Effective Markets review;
- the communications in relation to the retirement guidance guarantee were due to be published before the next Board meeting and these would be circulated to the Board for information;

- an update on the criminal trials that had been rescheduled; and
- the Board suggested Mr Wheatley give thought to areas to cover with the IMF when it undertook its next review of the FCA's role within the policy and regulatory framework.

### **3 Specific items of business**

#### **3.1 Retail investment advice: Clarifying the boundaries and exploring the barriers to market development**

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

- the expectations gap work had identified that investment business firms understood their obligations in relation to full regulated advice and execution-only business, but did not have clarity about options in between, such as guided or simplified advice. The consultation aimed to provide an explanation of the requirements for business models where firms had said they were unclear and provide clarity on the scope that they had to offer a range of services;
- it was expected that by providing clarity in this area, there would be a positive consumer outcome through increased access to financial advice that might not otherwise be available; and
- there had been co-ordination with the Ombudsman service about its views on simplified advice.

The Board agreed the publication of the Consultation Paper.

#### **3.2 HR Annual Report and Forward Look**

The Board received the report.

The Board supported the work of HR during the year and noted the update on the scale of recruitment underway, which during the first 12 weeks of 2014/15 involved the FCA making 394 offers, with an acceptance rate of 94%.

### **4 Decisions reserved to the Board**

Andrew Bailey joined the meeting at 12.10pm

#### **4.1 Rules & Guidance to be determined:**

The Board received a briefing from the teams in respect of the Instruments related to Client Assets and Periodic Fees. It discussed the feedback from the consultations in both cases and whether the rules should go ahead. Following those discussions, the Board made eight instruments set out in Annex B.

#### **4.2 Matters requiring a decision of the Board:**

The Board approved:

- the terms of reference of the assignment to the Oversight Committee in relation to the oversight of the Financial Ombudsman Service, agreeing that the additional duties of the Committee for this assignment would be to:
  - a. provide advice and support to the Board in relation to whether the FCA can be satisfied that the Financial Ombudsman Service is at all times capable of exercising its functions under FSMA; and

- b. provide advice and support to the Board in order to assist the FCA in complying with its statutory duties, and exercising its powers, under FSMA in respect of the approval of the Financial Ombudsman Service's budget.

The authority of and arrangements for membership, meetings and reporting procedures for the Committee would remain unchanged.

The Board agreed that the Oversight Committee should expect to review issues such as those set out in the examples in the paper, but the Committee should have the discretion to determine this in due course, rather than being specifically mandated at this time by the Board.

- the appointment of Michelle McGregor Smith as a member of the Listing Authority Advisory Panel, for an initial three-year term from 1 July 2014 to 30 June 2017;
- the re-appointments to the Listing Authority Advisory Panel of Luke Chappell, Tim Waddell and Crispin Wright for a second term from 1 August 2014 to 31 July 2017;
- the reappointment of Simon Bragg to the Listing Authority Advisory Panel for a second term from 1 October 2014 to 30 September 2017; and
- the amendments to the Schedule of matters reserved to the Board relating to the requirements for the Board to agree the creation and appointment of roles at the contractual grade of Director.

## **5 Report from the PRA**

The Board received an oral update from Andrew Bailey, and noted in particular the initial reaction to the FPC's financial stability report and its recommendations in relation to mortgages, which was the first time the FPC had used its wider powers to address macro-economic issues.

## **6 Specific items of business (continued)**

### **6.1 PCBS Consultation Paper (Accountability)**

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

- the estimated one-off costs of the proposals and the likely benefits of the regime, which were difficult to quantify in monetary terms. The Executive had gathered preliminary evidence on the cost of the proposals but it would be important to ensure the obligations of the regime were clearly set out (particularly in relation to ongoing reporting) so that firms could submit responses to the consultation on this basis;
- the scope of the regime in relation to branches of overseas banks operating in the UK would be reviewed in due course following consultation by the Treasury to extend the regime;
- the views of trade associations representing small credit unions had been sought and in general they wished to be seen to be included in an appropriately robust accountability regulatory regime (alongside other deposit-takers); and
- the scope of the relevant authorised persons regime and the exclusions that should apply, following additional evidence gathered as to the roles that had no financial services aspect to them. The Board agreed the list of proposed exclusions from the Conduct Rules which was set out in the paper.

The Board agreed to publish a joint consultation with the PRA on the proposals and delegated authority to Martin Wheatley and Chris Woolard to finalise the details of the consultation.

## 6.2 PCBS Recommendations (Remuneration)

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

- the Executive team had worked very closely with the PRA to agree a set of proposals for consultation, which aimed to respond to the recommendations from the PCBS whilst ensuring that the proposed solutions were effective, proportionate, consistent and did not introduce significant competitive distortions for the UK;
- the Board agreed it was very important to have a single set of proposals with the PRA and recognised this would involve some compromise;
- the potential effect that the proposals may have on base pay, which had already increased as a result of the bonus cap introduced by CRD4;
- the various options that could be used to address the potential loophole in “buyouts” and the Board’s preference that the consultation paper should present these in an open way with a description of the issues that needed to be addressed; and
- the coverage of the regime as proposed and the risks of avoidance.

The Board agreed to consult on the basis of the proposals set out on the understanding that they were being put to the PRA Board imminently for their approval and subject to their agreement. It delegated authority to Martin Wheatley and Chris Woolard to finalise any minor changes in the paper prior to publication.

## **7 Papers for noting:**

7.1 FOS Annual Review 2013-14 summary

7.2 Forward Agenda.

The Board noted the papers.

## **8 Any other business**

There was none

8.1 HBOS Review update

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

The Board approved the minutes of the Board meeting held on 22 May 2014.

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

Ms Platt left the meeting at 4.00pm.

Mr Bailey left the meeting at 4.10pm.

The Board agreed the revised terms of reference and delegated to Sir Brian and Ms Fletcher any final changes needed. The Board understood that publication of the terms of reference would follow approval of the revised version by the PRA board.

The meeting closed at 4.15pm.

Claire Strong  
Deputy Company Secretary

## **Annex A: Attendees**

|                  |  |
|------------------|--|
| Sean Martin      | General Counsel  |
| Claire Strong    | Deputy Company Secretary   |
| Simon Pearce     | Company Secretary  |
| Jacqueline Davis | Director, Human Resources (for item 4.2)                                   |
| Mikael Down      | Head of Department, Cross Cutting and Prudential (for item 7.1 & 7.2)      |
| David Geale      | Head of Department, Savings, Investments and Distribution (for item 4.1)   |
| Cosmo Gibson     | Manager, Redress (for item 5.1)  |
| David Godfrey    | Director, Finance & Operations (for item 5.1)                              |
| David Lawton     | Director, Markets (for item 2.2)   |
| Graeme Mclean    | Head of Department, Approved Persons, Passporting & Mutuals (for item 7.1) |
| Zitah McMillan   | Director, Comms & International (for item 2.1)                             |
| Damien Shanahan  | Manager, Wholesale Conduct Policy (for item 2.2)                           |
| Richard Taylor   | Manager, Advice and Distribution (for item 4.1)                            |
| Dermot Whelan    | Manager, Governance and Professionalism (for item 7.1 & 7.2)               |
| Chris Woolard    | Director, Policy Risk & Research (for items 4.1, 7.1 & 7.2)                |

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 34) Instrument 2014 [FCA 2014/37]

Periodic Fees (2014/2015) and Other Fees Instrument 2014 [FCA 2014/38]

Fees (Consumer Credit No 3) Instrument 2014 [FCA 2014/39]

Client Assets Sourcebook (Amendment No 6) Instrument 2014 [FCA 2014/40]

Supervision Manual (Performance Data Reports) (Amendment No 14) Instrument 2014 [FCA 2014/41]

Integrated Regulatory Reporting (Amendment No 14) Instrument 2014 [FCA 2014/42]

Collective Investment Schemes Sourcebook (Exchange Traded Funds) Instrument 2014 [FCA 2014/43]

Alternative Investment Fund Managers Directive and Undertakings for Collective Investment in Transferable Securities Directive (Miscellaneous Amendments) Instrument 2014 [FCA 2014/44]