

Minutes

Meeting:	FCA Board	
Date of Meeting:	27 February 2014	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Clive Adamson	Tracey McDermott
	Amanda Davidson	Jane Platt
	Amelia Fletcher	Sir Brian Pomeroy
	David Harker	Lesley Titcomb
	John Griffith-Jones (Chair)	Martin Wheatley
	Mick McAteer	
In attendance:	Set out in Annex A	
Apologies:	Andrew Bailey	

Quorum and Conflicts

The Meeting noted apologies from Andrew Bailey. The Board noted that 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 30 January 2014 were approved subject to some minor amendments.

1.2 Matters arising

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

1.3 Update on the Risk Committee meeting held on 4 February 2014

The Board received an oral report from Mick McAteer noting the items discussed at the Risk Committee:

- the Committee had received a presentation from the Authorisations Division on its work and noted in particular the business model analysis being used; the impact of

the regulation of consumer credit; and the positive effect the Division could have on the risk profile of the organisation if it continued to work well;

- the Committee had discussed the work of the Consumer and Markets Intelligence Department and encouraged further coordination with Supervision to ensure timely reactions to the emerging risks;
- the report from Internal Audit, which included a review of the FCA's three lines of defence;
- the development of the management and performance information in relation to the work of the RDC; and
- the Consumer Panel had submitted a number of issues they considered to be risks which the Risk Committee had found helpful and informative.

1.4 Monthly reports from the Independent Panels

The Board noted the reports from the Consumer Panel, Practitioner Panel and Smaller Business Practitioner Panel and discussed the following points in particular:

- the points raised by the Practitioner Panel and the Smaller Business Practitioner Panel regarding the changes in the financial advice sector as a result of the RDR, and noted that these would be looked at as part of the review of the RDR;
- the comments from the Consumer Panel reiterating the results of its research into annuities, published last year; and
- that Ms McDermott and Mr Adamson would present to the Consumer Panel on the way different supervisory and enforcement tools were used in order to inform their work.

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 performance measures were indicating that the Authorisations Division's recent restructure has been positive, reflected in strengthened performance across a number of areas; future reports would seek to obtain information on the number of firms/individuals that withdrew during the authorisation process and also the processing times for different types of business; it was expected that INTACT would play a significant part in improving processing times and would assist in keeping firms up to date with their applications;
 - there had been a shift in Supervision from reactive work to proactive work as per the supervision strategy;
 - the work being done to review whistleblowing arrangements including potential incentives for whistleblowers, transparency and protection;
 - the Board welcomed the new data provided by the Markets Division. It noted in particular the increasing number of documents that the UKLA was required to review because of the increase in IPO volumes;

- the work being done by the PRR Division to develop the competition agenda and prepare for concurrency powers. The Division had been in contact with key stakeholders to prepare for the possibility of super complaints;
- the level of staff turnover was within tolerance but was continuing to rise. Supervision was working closely with HR to adopt a more strategic approach to recruitment. The Executive intended to include information on the quality of performance of staff leaving and would aim to include some information in future MI reports; and
- it was expected that there would be an underspend against the budget for the year and the Executive would make proposals to the Board as to how this should be applied; the underspend was mainly due to the level of recruitment, which had not met projections.

2.2 Overview of Retail Banking Sector

The Board received the report and the presentation which noted the following key issues:

- how market structures and the environment in which retail banks were operating influenced their behaviours and focus on conduct issues;
- some of the key business model changes in retail banks and their impact on consumers;
- an overview of banks' conduct performance to date;
- a description of the supervisory programme for retail banks and how this tied in with other parts of the FCA and the areas of focus that had been identified for 2014/15; and
- the Executive's consideration of success measures in the retail banking sector.

In the subsequent discussion of the presentation, the Board covered the following points:

- the FCA's relationship with banks had developed and feedback indicated that the banks valued the dialogue with the regulator on conduct issues;
- the way that changes to firms' business models and pricing (including fees versus interest income) could have an impact on their conduct and therefore pose a potential risk to different consumer groups, particularly certain types of consumers. The FCA would be monitoring this;
- the FCA would also be reviewing firms' assessment of staff performance; the executive had identified examples of good and bad practice and these would be shared with firms to illustrate the FCA's requirements;
- the FCA had to strike a balance between facilitating innovation and ensuring that firms' IT systems were resilient for payments and other fundamental functions in order to be safe for consumers; and
- there were still a number of issues around competition to address.

The Board thanked Ms McTeague for an insightful presentation.

2.3 FCA Business Plan 2014/2015

The Board received the report and noted Board members' comments on the drafting of the Business Plan, which included strengthening sections on measuring success and the narrative around risks, markets and the expectations gap.

Subject to incorporation of the points made, the Board agreed to the publication of the Business Plan and delegated approval of the final version to John Griffith-Jones, Chris Woolard and Martin Wheatley.

2.4 FCA Risk Outlook

The Board received the report and noted the comments received from various stakeholders since the most recent version had been circulated and agreed how these comments should be incorporated.

The Board agreed that it supported the publication of the Risk Outlook for 2014, but believed that there should be a review of whether the document could be combined or linked more closely to the Business Plan in future years.

The Board agreed to delegate approval of any final changes to the Risk Outlook to John Griffith-Jones, Martin Wheatley and Chris Woolard.

2.5 Crowdfunding Consultation

The Board received the report and noted the responses to the consultation on crowdfunding in CP13/13 and how the FCA proposed to address these. The Board discussed in particular the proposals for marketing restrictions which would apply to investment-based crowdfunding firms and would limit the ability of firms to market to certain types of consumer in the retail market. The Board debated the options, which ranged from proceeding with the marketing restriction as consulted upon, through to reliance entirely on disclosure.

The Board agreed with the Executive view that the risks in this fledgling market were sufficient to justify a more interventionist approach and therefore believed that the marketing restriction should apply. The Board also asked the Executive to consider whether a risk warning could be included.

The Board agreed to make the rules applicable to firms operating loan-based crowdfunding platforms and investment-based crowdfunding to come into force on 1 April 2014 and to the publication of the policy statement on 6 March 2014 taking forward the proposals.

2.6 Consumer Credit

The Board received the report and noted the responses to the consultation on the consumer credit regime in CP13/10 and how the FCA had amended some of the proposals based on those responses.

The Board agreed to make the rules and to the publication of a Policy Statement containing the FCA's response to the feedback on the proposals in CP13/10 and QCP13/18.

2.7 FCA Fees review

Ms Davidson declared a conflict in this matter through being an employee of a regulated firm which would be subject to FCA fees once decided. The Board noted this declared conflict and after due consideration authorised it pursuant to Article 10.2.

The Board received the report and following discussion, agreed:

- not to issue a Discussion Paper (DP) on the Revenue or Firm Categories alternative approaches. The Board did not believe the case for the alternatives had been proven;
- to publish the outcome of the 2013/14 fees review;
- to proceed with a discussion on the minimum fees proposals; and
- to consider what further information might be published regarding costs in future years as part of the budget/planning round later in 2014.

2.8 Employee survey results

The Board received the report and had a wide ranging discussion on the results of the survey, their interpretation and follow up actions. In particular the Board noted:

- the highlights of the survey had shown that engagement from staff was very positive, staff were committed to and motivated by the purpose of the FCA; good progress had been made on embedding the cultural characteristics; and line management was well perceived;
- the areas that had been identified for further reflection and development. The executive were taking forward a plan to respond to the survey in more detail, including looking at career and talent management; and
- the work that had been agreed or was underway to address the areas for development which included: communication of the work on the people strategy; a red tape review to identify operational and decision making processes that could be simplified; and follow up to an Executive Committee meeting facilitated by Said Business School to consider the feedback received and assist in the design of the executive development programme.

2.9 Chief Executive's Report

The Board received the Chief Executive's report and discussed the following:

- the first version of the INTACT programme had recently gone live in the contact centre and event-driven supervision. So far the programme had been successful. There was a significant interdependency on the success of the consumer credit programme as the submission portal for consumer credit applications was due to go live on 1 April 2014;
- the issues that had arisen at the Chair and Chief Executive's appearance before the Treasury Select Committee, which included remuneration, the Lloyds Bank sales-based incentives enforcement fine and investigation into other benchmarks;
- the progress on redress offered in relation to Interest Rate Hedging Products which expected that firms were on track to have sent all initial redress offers by May 2014 (within 12 months of starting);
- the results of the general insurance add-ons market study and the potential remedies to address the findings;
- an update on the progress of a number of criminal cases;
- the FCA's potential response to the initial findings of the RDR thematic study, which would be likely to include communications re-stating the FCA's expectations and provide examples of good practice;

- the FCA's role in the oversight of the new Co-op banking entity and the resources allocated to ensure this was at an appropriate level; and
- the results of and reaction to the Annuities thematic review, including the remedial work that was being done by firms.

3 Decisions reserved to the Board

3.1 Rules & Guidance to be determined:

The Board made seven instruments set out in Annex B.

3.2 Matters requiring a decision of the Board:

The Board approved the amendment to the FCA's Listing Authority Advisory Panel (LAAP) Terms of Reference.

4 Papers for noting

4.1 Minutes of Executive Committee meetings held on 3 and 10 December 2013, 14 and 28 January, and 11 February.

4.2 Forward Agenda.

The Board noted the papers.

5 Any other business

5.1 HBOS review update

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 Titcomb left the meeting at 4.10pm.

The Board received an update from Sir Brian Pomeroy on the last HBOS Committee meeting.

Mr Martin and Ms McMillan would be updating staff affected by the report.

The meeting closed at 4.20pm.

Claire Strong
Deputy Company Secretary

Annex A: Attendees

Sean Martin	General Counsel
Claire Strong	Deputy Company Secretary
Simon Pearce	Company Secretary
Jamie Bell	Manager, Banking Sector & Themes unit (for item 2.2)
Jean Cooper	Manager, Consumer Credit (for item 2.6)
Jennifer Dalby	Manager, Planning and Performance (for item 2.3)
Jacqueline Davies	Director, Human Resources (for item 2.8)
David Geale	Head of Department, Savings, Investments and Distribution (for item 2.5)
Nadege Genetay	Head of Department, Banking, Lending and Protection (for item 2.6)
David Godfrey	Director, Finance & Operations (for items 2.1 & 2.7)
Karina McTeague	Director, Retail Banking (for item 2.2)
Nicola Robinson	Head of Department, Operations, Organisational Development (for item 2.8)
Gavin Stewart	Head of Department, Risk (for item 2.4)
Julia Tennant	Manager, Strategic Risk Analysis (for item 2.4)
Jody Whitehorn	Manager, Retail Conduct Team (for item 2.6)
Chris Woolard	Director, Policy Risk & Research (for items 2.1, 2.3, 2.4, 2.5 and 2.6)

Relevant Technical Specialists and Associates also attended the meeting

ANNEX B: Resolution

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

Consumer Credit Instrument 2014 [FCA 2014/11]

Consumer Credit (Consequential and Supplementary Amendments) Instrument 2014 [FCA 2014/12]

Crowdfunding and the Promotion of Non-Readily Realisable Securities Instrument 2014 [FCA 2014/13]

Alternative Investment Fund Managers Directive (Consequential Amendments) Instrument 2014 [FCA 2014/14]

Employers' Liability Insurance: Disclosure by Insurers (No 5) Instrument 2014 [FCA 2014/15]

Conduct of Business Sourcebook (Platforms) (Amendment No 2) Instrument 2014 [FCA 2014/16]

Designated Investment Exchanges (No 2) Instrument 2014 [FCA 2014/17]