

Minutes

Meeting:	FCA Board	
Date of Meeting:	27 & 28 January 2016	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Andrew Bailey	Tracey McDermott
	Catherine Bradley	Jane Platt
	Amanda Davidson	Sir Brian Pomeroy
	Amelia Fletcher	Christopher Woolard
	John Griffith-Jones (Chair)	
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 Sourcing Outline Business Case

The Board considered the outline business case and was provided an update on the sourcing programme in the context of the overall IT strategy. The Board noted the updates on the use of the cloud, optimisation of delivery and adjusting the operational risk appetite to reduce the number of non-core systems as part of the IT strategy.

The Board discussed a number of areas in both the business case and the IT strategy:

- the risks and benefits of using the cloud for the IT strategy would need to be considered further as options for using it arose;
- there were now fewer bespoke systems and much less customisation of the FCA's systems;
- the changes to the sourcing programme business case which re-evaluated the benefits of the programme and the reasons for this and how the new benefits had been calculated; the Board stressed the need to ensure that the costs and benefits were closely monitored;
- the desktop renewal programme would coincide with the FCA's move to Stratford;

- the governance of the sourcing programme would be controlled by the Executive Operations Committee, with some Executive Committee involvement as appropriate. It was intended that a Senior Adviser be appointed to provide some further IT expertise and oversight; and
- the change in supply of services would require strong supplier-management skills, and this would be considered when reviewing the resourcing requirements for the IS Division.

The Board approved the Outline Business Case for Sourcing with a total cost range of £37.5m to £47.9m.

The Board requested a breakdown of the contingency within the budget and the degree of confidence of achieving the target.

The Board agreed that the COO and the Chair of the Audit Committee should continue to engage with sourcing regarding reporting to the Committee and monitoring progress. The Board also requested that future reports include a bridge of expected versus actual spend on the programme.

1.2 Employee Survey

The Board received the paper and noted the following points:

- Employee engagement was still high across the organisation and the results showed the staff's commitment to the work of the FCA;
- there were some areas for development that related to leadership, operational efficiency and career and talent management. The Executive had reviewed the results and devised a simple action plan focusing on re-communicating the strategic direction, ensuring time and focus were given to people matters and business execution and enablement;
- the survey results were relatively positive given the disruption and change that had occurred during the year generally and particularly at the time the survey was conducted; and
- the Board supported the Executive using a staff-led plan to resolve the areas for development identified in the survey and agreed that an annual survey should continue in some form in order to provide comparable measures of progress and sentiment.

The meeting adjourned at 7.00pm.

The meeting re-convened at 9.30am on Thursday 28 January 2016.

2 Minutes and meetings

2.1 Minutes of the FCA Board meeting

The Board approved the minutes of the FCA Board meetings held on 2 & 3 December 2015 and 7 January 2016.

2.2 Draft minutes of the External Strategy and Risk Committee meeting

The Board noted the draft minutes of the External Strategy and Risk Committee meeting held on 11 December 2015.

2.3 Draft Minutes of the PSR Board meeting

The Board noted the draft minutes of the PSR Board meeting held on 27 November 2015 and Mr Griffith-Jones provided oral update of the meeting on 27 January 2016. He highlighted that he had requested a joint paper from the FCA and PSR Executive to consider the over or underlap of the two organisations' respective responsibilities in respect of payment systems, in particular resilience, security and access.

The Board also noted that Ms McDermott would be co-ordinating with the PSR when responding to Mr Tyrie on his recent letter to Mr Bailey and herself about the resilience of the banks' IT systems.

2.4 Matters arising

The Board noted the progress with the matters arising.

2.5 Monthly reports from the Independent Panels

The Board reviewed and discussed the reports from the Independent Panels. It noted that Ms Fletcher and Ms Davidson had attended the Practitioner Panel meetings in December and January respectively. In particular it noted:

- the Practitioner Panel's review of the key themes from the FCA's strategic prioritisation exercise;
- the way in which the secondment programme worked between the FCA and the industry and the intention to continue this;
- the Smaller Business Practitioner Panel's views on the new bank unit and the lessons that could be learned for "business as usual" supervision;
- the results of the Consumer Panel's research in relation to customers' views and desired outcomes of positive bank culture; and
- the report of the Markets Practitioner Panel.

3 Report from the Chief Executive

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

- the PRA and the FCA had decided to commence investigations into the conduct of senior individuals at HBOS plc prior to its failure and that an announcement would be made later that day;
- the Executive had agreed it should explain why it would not comply with EBA Guidelines on Remuneration in relation to the Bonus Cap;
- the Department of Business Innovation and Skills had agreed to maintain the funding of the illegal money lending teams and it was hoped that the teams' long term future would be secured via a levy that would be paid to HMT and collected by the FCA;
- on the previous evening the Board members had discussed in detail several issues that had emerged from the decision to stop the thematic review of culture in banks. The discussion had included consideration of the reaction to the news; the appearance of Ms McDermott and Mr Griffith-Jones at the Select Committee; the way in which the Board had been informed at the time of the decision; and the methods for tracking and reporting on business plan commitments. The Board confirmed that it continued to support the decision to stop the thematic review and take forward the work on culture in different ways, which it thought was reasonable. It acknowledged that the reaction

had highlighted that there were some lessons that could be learnt about communicating the FCA's work in future; and

- the verdict in the criminal trial of five individuals accused of being involved in attempts to manipulate the LIBOR rate.

4 Specific items of business

4.1 House View – Retail Banking

The Board received the paper and noted the scope of the retail banks house view.

The Board noted the process used for the house view development and the interaction with the specialist areas and other parts of the organisation.

The Board expressed strong support for the continued development of the house views.

4.2 FCA Budget and Business Plan including Risk Outlook

The Board received the paper and noted the process for developing the seven key themes and how the risk outlook would be included in the document to provide context to the activities. The Board then discussed the way in which it would receive updates on progress with the activities set out in the business plan. A further draft of the plan would be seen by the Board in February and March prior to publication.

4.3 Implementation plan for Strengthening the Second Line of Defence

The Board received the paper and noted the following points:

- the Risk and Compliance Oversight (R&CO) Committee had been set up to advise on all proposals considered by the Executive Committees and the Executive Risk and Issue Committee (with a view to also considering Executive Operations Committee proposals in due course). This, combined with the inclusion of a risk box in the Committee template is designed to ensure that views of R&CO are captured and recorded in committee proposals;
- the relationship between the first and second line has been reviewed with the aim that risk delivers holistic, forward looking, quantitative analysis. Regulatory risk advisors are now aligned to Sectors. The aim is to support, enable, advise and challenge;
- the way that Senior Advisors are used has been reviewed to ensure they can provide the most effective contribution and to manage any potential conflicts; and
- the R&CO Review function would provide assurance on judgements across the breadth of the first line of defence (not supervision alone). Any themes that are identified will be incorporated to R&CO's reporting to the Executive and Board Committees.

The Board agreed that the Executive Committee and the Audit Committee should monitor R&CO progress on the delivery of strengthening the second line. Jane Platt (Chair of External Risk and Strategy Committee) offered to engage with the teams involved on the detail of proposals to ensure ongoing Board engagement.

4.4 Application of the Senior Managers Regime (SMR) to the FCA

The Board received the paper and noted that the core principles of the SMR had been applied to the FCA in accordance with the policy and rules set out in the regulations, although as a regulatory body there were some variations from the application expected of firms.

The Board provided some detailed comments on the draft statements of responsibility and suggested that the responsibility for the RDC and the CDC should be included.

The Board agreed that there should be an internal quality assurance process carried out in advance of publication and some stress testing should be considered.

The Board noted that the PRA would take a similar approach.

The Board agreed the individual statements of responsibility and management responsibilities map for the FCA in principle and asked for a final view of them prior to publication. The Board also agreed that the FCA Corporate Governance document should be updated accordingly.

4.5 Complaints Commissioner's report to the Board

The Board received the report, noting the commissioner's comments. The Board noted the Commissioner's views on the remit of the Complaints scheme and asked the Secretary to discuss this further with the Commissioner.

4.6 NAO value for money study of financial services mis-selling

The Board received the draft report.

5 Report from the PRA

Mr Bailey provided an update on the work of the PRA.

6 Decisions reserved to the Board

6.1 Rules & Guidance to be determined

The Board considered the instruments. It agreed that the grace period in the Individual Accountability (Regulatory References) (Interim Requirements) Instrument 2016 should remain at 30 days rather than the 14 days proposed.

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

6.2 Decisions of the Board

The Board agreed:

- to appoint Annemarie Durbin as Chair of the FCA Listing Authority Advisory Panel (LAAP) for a term of two years from 1 April 2016 until 31 March 2018;
- to appoint John Trundle as Deputy Chair of the FCA Markets Practitioner Panel from 1 February 2016, and to re-appoint him as a Panel member, for three years until 31 April 2019; and
- the Terms of Reference for the new Nominations Committee and authorised Mr Griffith-Jones to make any final changes prior to publication.

7 Papers for noting

7.1 Minutes of the Executive Committee meetings

The Board noted the minutes of the Executive Committee meetings held on 10 and 24 November 2015

7.2 Forward agenda

The Board noted the forward agenda.

8 Any other business

There was none.

Claire Strong
Deputy Company Secretary

ANNEX A: Attendees

Sean Martin	General Counsel
Simon Pearce	Company Secretary
Claire Strong	Deputy Company Secretary
Vickiesha Chabra	Chairman's EA, Chairman's Office
Vito Capobianco	Manager, Finance Director Office (for item 4.6)
Jennifer Dalby	Manager, Business Planning & Prioritisation (for item 4.2)
Jacqueline Davies	Director, Human Resources (for item 1.2 & 4.4)
Barbara Frohn	Director, Risk & Compliance Oversight (for item 4.2, 4.3 & 4.6)
David Geale	Director, Policy (for item 4.1)
Gina Gill	Manager, Business & Technology Solutions (for item 1.1)
David Godfrey	Director, Finance (for item 4.2)
Gareth Lewis	Director, Policy (for item 1.1)
Karina McTeague	Director, Retail Banking (for item 4.1)
Natasha Oakley	Head of Department, Strategy Development (for item 4.1)
Georgina Philippou	Chief Operating Officer (for item 1.1, 1.2, 4.2, 4.4, 4.6)
Nicola Robinson	Head of Department, Organisational Development (for item 1.2)
Emma Smithies-Barnett	Manager, Risk & Compliance Oversight Framework (for item 4.3)

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:

Individual Accountability (Extension of Scope) and Whistleblowing (Amendment) Instrument 2016 (FCA 2016/1)

Individual Accountability (Swiss General Insurers) Instrument 2016 (FCA 2016/3)

UCITS V Directive Instrument 2016 (FCA 2016/4)

Credit Unions Sourcebook (Amendment No 8) Instrument 2016 (FCA 2016/5)

Listing Rules and Disclosure and Transparency Rules (Miscellaneous Amendments) Instrument 2016 (FCA 2016/6)

Individual Accountability (Regulatory References) (Interim Requirements) Instrument 2016 (FCA 2016/7)