

Minutes

Meeting:	FCA Board	
Date of Meeting:	27 March 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	

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 27 February 2014 were approved subject to minor typographical changes.

1.2 Matters arising

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

1.3 Update on the Audit Committee meeting held on 6 March 2014

The Board received an oral update from Brian Pomeroy noting the items discussed by the Audit Committee.

The Board noted that the FCA Chair had responded to the request from the Treasury Select Committee (TSC) in relation to the sharing of Internal Audit reports and the Board noted he would enter into further discussions with the Chair of the TSC if required.

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 concerns expressed by the Practitioner Panel and the Smaller Business Practitioner Panel in respect of the use of attestations. Mr Adamson explained that attestations were a key part of the supervisory toolkit although in response to concerns expressed by the industry, the FCA intended to communicate more clearly their purpose and use and would be putting in place Quality Assurance to ensure the use of attestations was consistent;
- the Board noted the request from the Smaller Business Practitioner Panel for the FCA to work with industry and to be proportionate as smaller firms work to develop new business solutions to comply with the requirements of the Retail Distribution Review in the short-term and also noted that the Executive was planning communications in this area;
- the positive comments from the Smaller Business Practitioner Panel and the Consumer Panel in respect of the work of the Consumers and Markets Intelligence (CMI) Department; and
- the Consumer Panel's comments in relation to communication with consumers by the FCA and the MAS. The Board encouraged the FCA's dialogue with MAS in this regard.

2 Reports from Executive Directors

2.1 CEO Report

The Board received the CEO's report and discussed the following items:

- the report had been written prior to the budget announcements, which had implications for a number of workstreams for the FCA. The Executive expected that the removal of compulsory purchases of annuities would have an effect on the advice market and noted that the FCA would need to inform firms on the guidance that they could provide to consumers for consultation in the Summer;
- the Board noted the decline in the number of new PPI complaints;
- Mr Adamson had received a number of questions at an All-Party Parliamentary Group meeting about the treatment of Small and Medium Enterprises (SMEs) as consumers, noting that this was not currently within the remit of the FCA;
- the FCA was operationally ready to take on the regulation of consumer credit on 1 April 2014; Ms Titcomb expected there to be approximately 49,000 firms with interim permission at that date which was in line with the research results. The Board noted the proposed fees for consumer credit firms for consultation and the communications planned to explain the activities of supervision and enforcement during the first few weeks of the regime;
- the FCA would be publishing more guidance and a web-video on the definitions of "independent" and "restricted" advice in respect of the RDR. There would also be communications, including a web-video reiterating the FCA's expectations in relation to the clarity of disclosure of charges, an area where compliance had been found to be disappointing in recent reviews;
- an update on work undertaken in relation to sanctions and recent enforcement cases; and

- an outline of a complaint recently considered and upheld by the complaints commissioner, noting that the FCA did not accept the commissioner's recommendations in full.

3 Specific items of business

3.1 FCA Accommodation

The Board received the report and noted the work that had been done to shortlist the options for future accommodation. The Board considered the final two options; in Bank Street, Canary Wharf and The International Quarter in Stratford, and the Executive recommendation.

The Board discussed in detail the merits and risks of each option including:

- the cost impact of the potential moves on the FCA and fee payers;
- the impact on staff in relation to travel times;
- the employee proposition and the prospects of attracting and retaining staff; and
- the infrastructure in place or planned in both locations and accessibility to stakeholders and firms;

The Board noted that Mr Griffith-Jones had received letters from various sources setting out potential arguments for the different options and that these arguments had been covered in the discussions.

The Board agreed the recommendation to proceed with contractual negotiations on The International Quarter, Stratford. The Board agreed that HR should consider the next steps to communicate with staff once the decision was announced.

3.2 FOS Budget Approval

The Board received the report and discussed the proposals for the budget with Mr Boorman. The Board noted the level of reserves, which would be expected to reduce over time; the FOS' expectations and uncertainty over caseloads; the cost of each case, which was expected to rise for PPI cases as they became more complex; and the reasons provided for the difference between the consultation and the new budget proposal in the light of responses to the consultation.

The FCA Board noted that there was a need to deal with high volumes of new PPI cases and the large stock of older PPI cases that had not been resolved and therefore approved the budget so that FOS could continue its operations. The Board agreed to extend the scope of the Oversight Committee to review and scrutinise the plan and budget of the FOS for 2015/16 and particularly the plan for reserves going forward. The FOS would be invited to attend relevant meetings and to provide papers as appropriate. The Board agreed that the FOS should discuss its proposals early in the planning process and develop with the FCA the internal key performance indicators focused around consumer outcomes.

3.3 MAS business plan and budget

The Board received the report and noted the budget for money advice at £43m was the same as that presented to the Board in December. The debt advice budget had now been assessed at £38.1m. The draft plan that had been consulted on had made it clear that the figure of £34.5m originally quoted for debt advice was provisional, and was dependent on the results of a supply and demand exercise. The Board noted that the Oversight Committee had scrutinised the plan and budget during its development.

Sir Brian declared a conflict in this matter through being an Ambassador of the Money Advice Trust, which ran the National Debt Line, which was receiving funding from MAS for debt advice. The Board noted this declared conflict and, after due consideration authorised it pursuant to Article 10.2.

The Board noted that the potential impact on the MAS of changes to government rules in relation to pensions and annuities was as yet unclear, although there was likely to be an increased demand for information and changes would need to be made to the current information available.

The Board approved the MAS business plan and budget for both money advice and debt advice.

3.4 PRA Induction session

The Board noted that the Non-Executive Directors of the FCA had attended an induction session at the PRA. It had highlighted the differences in the way in which the organisations were run and some emerging differences of views.

The Board supported interaction at the most senior level to co-ordinate regulatory matters. It noted that the CEOs of the PRA and the FCA met on a quarterly basis for this purpose and there was a requirement to produce an annual report setting out how the organisations were co-ordinating. The Board agreed it would be useful to discuss the annual report on co-ordination with the PRA Board and asked the Secretary to investigate the possibility of this.

3.5 Update on the Board Effectiveness Review

The Chairman explained that the FCA had appointed an external consultant to carry out a Board effectiveness review. The consultant would be seeking to interview Board members and it was planned that the results of the review would be reported back to the Board meeting at the end of June.

3.6 High level approach to the Mortgage Credit Directive and the second charge mortgage regime

The Board received the presentation from the team and discussed the issues arising.

The Board agreed with the proposed high-level approach to implementing the Mortgage Credit Directive and development of the second charge mortgage regime.

3.7 Update on MAR and MiFID

a. MAR

The Board received a presentation on the changes to EU legislation relating to market abuse. There were a number of implications for the FCA and those with the largest impact would likely be the increase in monitoring required due to more trading regulated venues and financial instruments coming in scope; and the work within ESMA to draft implementing measures to the required timetable. Firms would also need to expand their systems to ensure compliant reporting and issuers would need to ensure that insider lists were kept appropriately.

b. MiFID

The Board received a presentation on the revisions to the Markets in Financial Instruments Directive. The Board discussed the issues arising and noted the following points:

- Significant FCA resources were contributing to the drafting of the detailed EU level 2 rules; further resource would be needed for implementation;
- there were a number of implementation challenges which included: policy issues arising from the implementing measures; technology issues arising from significant scaling of the transaction reporting data base and a new system to receive commodity position reports; and the need to communicate with a disparate set of firms with differing expectations; and
- it would be important to consider the effect of the new requirements on the business models of the firms the FCA regulated.

The Board welcomed further briefing on the changes as necessary.

4 Report from the PRA

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

- there had been an EU proposal on the regulation of benchmarks used in financial markets, this would likely have global consequences and would need careful scrutiny in its passage;
- Mr Bailey believed the insurance companies' balance sheets were robust enough to cope with the change in pensions and annuity rules announced in the Budget; and
- Some initial consideration was being given to the issues that could arise from trading in crypto-currencies.

5 Decisions reserved to the Board

5.1 Rules & Guidance to be determined:

The Board received a briefing from the teams in respect of:

- the Conduct of Business Sourcebook (Mutuals) Instrument 2014 [FCA 2014/24]; and
- the instrument on Capital Requirements Directive IV (Capital Buffers) Instrument 2014 [FCA 2014/23].

The Board made eleven instruments set out in Annex B. It also approved the making of one instrument by the Financial Ombudsman Service, as set out in Annex B.

5.2 Matters requiring a decision of the Board:

The Board approved:

- the articles of association for the Payment Systems Regulator which would be incorporated on 1 April 2014.
- the appointment of Martin Wheatley, Amelia Fletcher, Brian Pomeroy and Chris Woolard to be directors of the Payment Systems Regulator from 1 April 2014 for terms of three years, or until they ceased to be a Director or employee of the FCA if sooner;

- the appointment of John Griffith-Jones as Chair of the Payment Systems Regulator from 1 April 2014 for a term of three years, or until he ceased to be a Director or employee of the FCA if sooner; the appointment of Mary Starks as Managing Director until a permanent Managing Director was appointed, noting that these appointments had been approved by the Treasury;
- the re-appointments of Pam Meadows and Teresa Fritz as members of the Consumer Panel, with effect from 1 May 2014 for terms of three years;
- the appointments of Richard Haas and Peter Minter as members of the FCA Smaller Business Practitioner Panel, with effect from 1 April 2014 for a term of three years;
- the removal of HSBC and Lloyds Banking Group revolving credit facilities and renewal and increase of LBG overdraft facility.

The Board noted the conflicts declared at previous meetings in relation to HBOS and agreed that it was not necessary for any Directors to leave the meeting, but Interested Directors would not take part in the discussion and decision.

The Board agreed:

- the disbanding of the HBOS Board Committee,
- the formation of the Joint Steering Committee with the PRA to oversee the production of the report into the failure of HBOS; and
- the appointment of Brian Pomeroy and Amelia Fletcher as members of the Joint Steering Committee.

6 Papers for noting

- 6.1 Minutes of ExCo meeting held on 25 February 2014
- 6.2 Draft Minutes of Risk Committee meeting held on 4 February 2014
- 6.3 NAO Report
- 6.4 Forward Agenda

The Board noted the papers.

7 Any other business

There was none

The meeting closed at 4.25pm

Claire Strong

Deputy Company Secretary

Annex A: Attendees

Sean Martin	General Counsel
Claire Strong	Deputy Company Secretary
Simon Pearce	Company Secretary
Tony Boorman	Chief Executive and Chief Ombudsman, Financial Ombudsman Service (for item 3.2)
Julia Cavanagh	Director of Finance and Performance, Financial Ombudsman Service (for item 3.2)
Mikael Down	Head of Department, Head of Cross Cutting and Prudential (for item 3.2)
David Geale	Head of Department, Head of Savings, Investments and Distribution (for item 3.3, 3.7 and 5.1)
Nadege Genetay	Head of Department, Banking, Lending and Protection (for item 3.6)
David Godfrey	Director, Finance & Operations (for item 3.1)
David Lawton	Director, Director of Markets (for item 3.7)
Lesley Titcomb	Chief Executive Officer (for item 3.1)
Tim Wald	Head of Department, Head of Operations Services (for item 3.1)
Chris Woolard	Director, Policy Risk & Research (for items 3.2, 3.6, 3.7)

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:

Fees (Miscellaneous Amendments) (No 7) Instrument 2014 [FCA 2014/18]

Fees (Consumer Credit No 2) Instrument 2014 [FCA 2014/19]

Fees (Issuers) (Late Publication of Reports) Instrument 2014 [FCA 2014/20]

Handbook Administration (No 33) Instrument 2014 [FCA 2014/21]

Financial Services Compensation Scheme (Management Expenses Levy Limit 2014/2015) (FCA) Instrument 2014 [FCA 2014/22]

Capital Requirements Directive IV (Capital Buffers) Instrument 2014 [FCA 2014/23]

Conduct of Business Sourcebook (Mutuals) Instrument 2014 [FCA 2014/24]

Consumer Credit (Debt Management Client Money) (Supplementary Amendments) Instrument 2014 [FCA 2014/25]

Client Assets Sourcebook (Amendment No 4) Instrument 2014 [FCA 2014/26]

Supervision Manual (Waiver Process) (Amendment) Instrument 2014 [FCA 2014/27]

Consumer Credit (Statutory Notices) Instrument 2014 [FCA 2014/2018]

The Board of the Financial Conduct Authority resolves to approve the making of the following instrument by the Financial Ombudsman Service:

Fees Manual (Financial Ombudsman Service Case Fees 2014/15) Instrument 2014 [FOS 2014/2]