Minutes

Meeting: FCA Board
Date of Meeting: 3 June 2015 and 4 June 2015
Venue: 25 The North Colonnade, Canary Wharf, London E14 5HS

Present:
- Andrew Bailey
- Mick McAteer
- Catherine Bradley
- Tracey McDermott
- Amanda Davidson
- Jane Platt
- Amelia Fletcher
- Sir Brian Pomeroy
- John Griffith-Jones (Chair)
- Martin Wheatley

In attendance: Set out in Annex A

Apologies: 3 June: Andrew Bailey

Quorum and Conflicts

The Meeting noted there was a quorum present and proceeded to business.

1 Specific items of Business

1.1 FCA House View

The Board received a presentation on the first part of the house view (or ‘common view’) in relation to Pensions and Retirement Income which focussed on decumulation. The Board noted that the second part would be presented in September and would focus on accumulation. The Board discussed the different aspects of the house view and the key risks identified and the discussion included the following points:

- all the risks identified as part of the house view building process should be included in the Consolidated Risk Manager; and
- the work on culture would need to be continued in order to ensure the house view work was a success and the risks prioritised and resourced appropriately.

The Board approved the priority risks and the approach to interventions.

The meeting adjourned.

The meeting reconvened at 09.15 on 4 June 2015.
2 Minutes and meetings

2.1 Minutes of the FCA Board meeting

The Board approved the minutes of the FCA Board meeting held on 21 May 2015.

2.2 Draft minutes of the PSR Board meeting held on 12 May 2015

The Board noted the draft minutes of the PSR Board meeting held on 12 May 2015 and the update from Mr Griffith-Jones on the items discussed. The Board noted the close links between the work of the PSR and the work of the FCA in relation to retail banks.

2.3 Draft minutes of the External Risk and Strategy Committee meeting held on 13 May 2015

The Board noted the draft minutes of the External Risk and Strategy Committee meeting held on 13 May 2015 and the update from Mr McAteer on the items discussed which included the methodology used to develop the House views.

2.4 Update from the Remuneration Committee meeting held on 21 May 2015

Ms Davidson reported that the last Remuneration Committee had considered the pay of the Senior Directors; Mr Wheatley provided an update on the position regarding the final offers that had been made and the hires which would be announced the week beginning 8 June 2015.

2.5 Draft minutes of the Oversight Committee meeting held on 21 May 2015

The Board noted the draft minutes of the Oversight Committee meeting held on 21 May 2015 and the update from Mr Griffith-Jones on the items discussed and the main focus on the FOS’ application under the Alternative Dispute Resolution Directive.

2.6 Update from the Audit Committee held on 28 May 2015

Sir Brian Pomeroy provided an update on the items discussed at the Audit Committee held on 28 May 2015.

2.7 Matters arising

The Board noted the matters arising and the following points:

- the progress in relation to the process of appointing new Non-executive Directors which would be discussed with the Treasury;
- the response to the Treasury Committee was being prepared;
- a preferred supplier had been chosen for the Board effectiveness review; and
- the independent review of the risk framework would be completed by September.

2.8 Monthly reports from the Independent Panels

The Board received and discussed the reports from the Panels.

3 Report from the Chief Executive

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

- the recent Enforcement and tribunal decisions;
• Mr Wheatley’s first meeting with the new Economic Secretary to the Treasury;
• the upcoming IOSCO conference, which would be hosted by the FCA;
• the joint work with the PRA under the recommendation of FPC in relation to market liquidity risks; and
• the extent to which the FCA could take action in relation to debt management firms.

4 Specific items of business

4.1 Performance Report

The Board received the report and discussed the following points:

• the performance measures in relation to the Authorisations function, including those relating to the Intact programme and people resources. The Board suggested that it receive an interim update from the Authorisations Division at the next meeting, to provide some further context;
• the current measures used to assess supervision and that Ms McDermott was working on developing different measures to assess the efficiency of the processes and demonstrate outcomes;
• the progress against the business plan made by the Enforcement and Strategy & Competition Divisions; and
• the positive measures in relation to staff retention and the attraction of the graduate programme.

4.2 Annual Report 2014/15

The Board noted the draft report and accounts and provided detailed comments on it, noting that a final version would be provided to the Board to approve on 18 June 2015.

4.3 Independent Panels Annual Reports

The Board received the annual reports from the Consumer Panel, the Practitioner Panel, the Smaller Business Practitioner Panel and the Markets Practitioner Panel.

The Board acknowledged the work of each of the Panels and their comments on the work of the FCA and the areas in which the Panels would focus their attention in the coming year. The Board noted that it would consider a formal response to the Panel reports at its meeting in July.

The Board discussed some of the issues raised in the reports with the Panel Chairs and encouraged the Panels to continue to provide input to the identification of risks to the FCA’s objectives and to assist in highlighting areas of good and bad practice. The Markets Practitioner Panel was also encouraged to consider the impact of regulation on London’s competitive position.

4.4 Practitioner Panel Survey

The Board received the report on the results of the recent Practitioner Panel Survey and discussed the following:

• the overall satisfaction score across all firm types had improved since the last survey undertaken in 2014; this was an endorsement of the quality of the relationship between the regulator and the industry during a challenging year;
• the survey had included the views of consumer credit firms for the first time;

• the different information sources used by firms to obtain information on regulation, which showed that use of FCA communications was positive, with small firms seeking further information on enforcement activity in the regulatory round-up and larger firms relying on direct communication;

• the apparent reliance of firms on external advisers and lawyers to assist with their understanding of regulation, which would affect the overall cost of regulation;

• the areas identified for improvement, which included reducing the cost of regulation, further demonstration of how the FCA was addressing its competition objective and further development of the communications strategy for different firms; and

• the qualitative comments in the survey had not yet been assessed by the Panel and the Executive indicated that it would be interested in receiving further information when it was available.

4.5 Complaints Commissioner’s Report

The Board received the report from the Complaints Commissioner and noted that it set out that the system was operating effectively. The Commissioner explained the potential trends in complaints, the resource requirements for his office, (which he saw as reducing in future) and some of the risks he had highlighted in his findings in individual cases. The Board noted that the Complaints Commissioner was adapting the style of his letters to be more in line with the Complaints team and that he had published his approach to remedies in his Annual Report for clarification.

4.6 Year three communications strategy

The Board received the draft communications strategy and discussed its contents. In particular it noted the following points:

• the Communications Director had consulted extensively with stakeholders in order to develop the communications approach for “year three” of the FCA, this included the Executive Committee, the Statutory Panels and Senior Advisors. The approach was designed to ensure the stakeholders had an opportunity to provide input and shape the content and also satisfy the specific recommendations from the Davis report;

• the feedback from the various stakeholders, in particular the Statutory Panels, and how the comments had been taken into account when developing the strategy;

• the action taken by the Communications Division to implement the recommendations of the Davis report, including the work by internal audit to review the design and effectiveness of the FCA’s external communications strategy and the benchmarking of policies and practices; and

• the way in which the strategy would assist the FCA in the achievement of its objectives.

The Board supported the approach and provided comments on the Communications strategy. It noted the need to incentivise firms to behave well as well as deter them from behaving badly. The Board agreed that transparency of the FCA’s work was important and considered the risks inherent in using communications as a regulatory tool and the ways in which these could be mitigated. The Board considered and agreed the approach to prioritisation and requested that these items be reviewed as the house views developed through the year.
The Board approved the content of the year 3 communications strategy and agreed that
the Communications Division should implement the proposals as set out within it.

4.7 Report from the PRA

The Board received a report from Mr Bailey on the recent discussions of the PRA, which
included consideration of the impact of EU rules on the limit applied to deposit protection
schemes.

4.8 Restrictions on the retail distribution of regulatory capital instruments; policy statement
and final rules

The Board considered the consultation feedback and proposed rules in relation to Product
Intervention for Contingent Convertible Instruments and Mutual Society Shares. It noted
that the proposed rules replaced the temporary rules made in October 2014.

The Board supported the making of the rules. It also agreed that the Board needed to
discuss further the wider implications of the FCA’s approach to product intervention on
consumer protection, in particular to consider the differential treatment of products with
different characteristics and methods of distribution.

4.9 PCBS Remuneration

The Board noted that since the consultation in July 2014, the application of new European
Banking Authority technical standards had caused the number of Material Risk Takers to
increase significantly, meaning the proposed rules relating to deferral affected a much
wider group of people than originally anticipated.

The Board considered the way the team proposed this be addressed to ensure the rules on
deferral were proportionate and the impacts in line with those originally intended. The
Board noted that the proposed new rules differed from the PRA’s view, but that the
differentials would not increase complexity for firms, were justified, but would need to be
communicated clearly.

The Board agreed the proposals and the policy changes and publication of the Policy
Statement.

5 Decisions reserved to the Board

5.1 Rules & Guidance to be determined

The Board discussed the instruments provided to it. The Board considered the instrument
relating to individual accountability for the senior managers’ regime, noting that the PRA
Board was to meet to discuss this later in the month. The FCA team had been working
closely with PRA colleagues and did not expect any substantive changes to the proposed
rules. The Board agreed it was supportive of the proposals, but agreed it should defer
taking a decision on this matter until after the PRA had concluded its discussions.

The Board made four instruments set out in Annex B. The Board consented and approved
the making of part of another two instruments by the Financial Ombudsman Service also
set out in Annex B.

5.2 Decisions of the Board

The Board approved:

- the appointment of John Penberthy-Smith (Customer Director) and David Haigh
  (Director of UK Financial Capability) as Executive Directors on the Board of the Money
  Advice Service for terms of three years from 8 June 2015 to 7 June 2018.
• the Financial Ombudsman Service’s application for certification under the Alternative Dispute Resolution Directive.

• the re-appointment of David Parkes as a member of the Listing Authority Advisory Panel (LAAP) for a further year from 1 June 2015 to 31 May 2016.

• the re-appointment of Dominic Rossi as a member of the Listing Authority Advisory Panel (LAAP) for a further three years from 1 August 2015 to 31 July 2018.

• the appointment of Mark Falcon and Carole Begent as Executive Directors on the Board of the PSR for terms of three years from 1 July 2015 to 30 June 2018.

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.

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
Clinton Askew        Chair of Small Business Practitioner Panel (for item 4.3)
Maria-Jose Barbero  Manager, Early Intervention (for item 5.1)
Alison Brittain      Chair of Practitioner Panel (for items 4.3 & 4.4)
Graham Collett       Manager, Consumer Panel Secretariat Team (for item 4.3)
Jennifer Dalby       Manager, Business Planning & Prioritisation (for items 4.1 & 4.2)
Caroline Gardner    Head of Department, Pensions & Retirement Income (for item 1.1)
David Geale         Director, Policy (for items 1.1, 4.8, 4.9 & 5.1)
David Godfrey       Acting Director, Operations (for items 4.1 & 4.2)
Jo Hill             Director, Markets Intelligence & Data Analysis (for item 1.1)
Sue Lewis           Chair of Consumer Panel (for item 4.3)
Rob Mass            Chair of Markets Practitioner Panel (for items 4.3 and 4.4)
Richard Monks       Manager, Policy (for item 4.9)
Natasha Oakley      Manager, Strategy Development (for item 1.1)
Rebecca Tabor       Manager, Practitioner Panels Secretariat Team (for items 4.3 and 4.4)
Antony Townsend     Complaints Commissioner (for item 4.5)
Andrew Whyte        Director, Communications (for items 4.2 and 4.6)

Relevant associates and technical specialists also attended the meeting.
ANNEX B: Resolution

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

- Senior Management Arrangements, Systems and Controls (Remuneration Code) (No 6) Instrument 2015 (FCA 2015/27)
- Insurance: Conduct of Business Sourcebook (Guaranteed Asset Protection Contracts) Instrument 2015 (FCA 2015/30)
- Supervision Manual (Remuneration Reporting No 3) Instrument 2015 (FCA 2015/32)
- Pension Transfer and Conversions Instrument 2015 (FCA 2015/28; FOS 2015/4)

The Board of the Financial Conduct Authority also resolved to consent to and approved the making by the Board of the Financial Ombudsman Service of that part of the following instrument which falls within the responsibility of that organisation:

- Pension Transfer and Conversions Instrument 2015 (FCA 2015/28; FOS 2015/4)