

Minutes

Meeting:	FCA Board	
Date of Meeting:	29 & 30 July 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	

Quorum and Conflicts

Sir Brian Pomeroy reminded the Board that he was a Director of the parent company of QBE Insurance which might be considered as part of items 1.2 and 1.3. The Board considered the potential conflict, and pursuant to article 8 authorised it and agreed he should be allowed to take part in the discussions.

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

Private Session

The Board noted that the Chair had been in discussions with the PRA regarding a secondment for Ms Butler to fill the Director of Supervision – Wholesale, Investment and Specialist role for one year. The Board supported the proposed secondment and agreed that it would be possible for Ms Butler to attend Board meetings for the year.

The Board also discussed the role of COO. The Board agreed with the Executive decision to offer the COO role to Ms Philippou.

1 Specific items of business

1.1 Sector Report – Investment Management

The Board noted the presentation describing the Investment Management Sector and discussed the supervisory view of and activity in this area. The Board noted the intention to shift the focus and resource allocation of the department towards multi-firm work and the resources available for this.

The Board discussed the key challenges in the sector, including governance, management of conflicts, financial crime and concentration. The Board noted that the market review in asset management, starting in September, would assess competition in this area and the Fair and Effective Markets Review recommendations would have an impact on the standards expected of senior managers in this sector.

The Board also noted some specific concerns from the team around the providers of Contracts for Difference and asked for further information in relation to the work being done to understand the sector.

The Board noted the consideration of issues around the regulatory perimeter, in particular ongoing work looking at the promotion and appropriateness tests for purchase of contracts for difference.

1.2 Sector Report – General Insurance and Protection

The Board noted the presentation describing the General Insurance and Protection Sector and discussed the progress with key priorities, the approach to mitigation of risks and the planned regulatory interventions.

The Board noted that amongst other things, there were still some challenges around the fairness for consumers with the potential future use of big data and pricing of risk.

1.3 Supervision - Recommendations for amendments to the Supervision strategy and re-classification of firms for agreement

The Board received a presentation on the development of the supervision transition strategy. The Board noted the proposed approach to engaging with fixed and flexible portfolio firms and discussed the approach to risk tolerance and the way in which it was proposed firm classifications be determined.

The Board noted that the Executive had learned valuable lessons from the engagement with Consumer Credit firms and was using responses to the Practitioner Panel survey to inform better communication with firms of different size and type.

The Board approved the concept of sector-specific risk appetites aligning with house views but asked the Executive to ensure that the risks and priorities were kept under review during the transition period.

The Board approved the approach to determining firm classifications.

The Board agreed it would be helpful to publish some form of communication setting out the risk appetite of the FCA in various sectors and asked the Executive to consider how best to do this and asked for another progress update as the transition progressed.

The meeting adjourned.

The meeting reconvened at 9.30am on 30 July 2015

Mr Griffith-Jones reported that the Treasury had confirmed that Mr Woolard would be appointed to the FCA Board with effect from 1 August 2015 for a term of three years. He also reported that an advertisement for new Non-Executive Directors would soon be issued and he would shortly be meeting the Treasury to discuss the process for appointing a permanent Chief Executive.

2 Minutes and meetings

2.1 Minutes of the FCA Board meeting

The Board approved the minutes of the FCA Board meetings held on 26 June and 2 July 2015.

2.2 Update from PSR Board meeting

The Board noted the draft minutes of the PSR Board meeting held on 21 July 2015 and received an update from Mr Griffith-Jones on the items discussed.

2.3 Annual Public Meeting review

The Board noted the issues raised at the Annual Public Meeting and that a similar format was proposed for the following year.

2.4 Matters arising

The Board noted the progress with the matters arising.

2.5 Monthly reports from the Independent Panels

The Board reviewed the reports from the Chairs of the Panels, noting in particular:

- the Executive Committee had discussed smarter consumer communications and had agreed that it was helpful to provide examples of good practice, although care would be needed to avoid being seen to endorse specific products or services; and
- it would be desirable for elements of the house views to be made public to enable stakeholders to understand the FCA's priorities, although there were issues in relation to the sensitivity of the information and data contained in them that might create difficulties about publishing them in full.

3 Specific items of business

3.1 Performance Report

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

- there had been an improvement in the Authorisations performance against statutory service standards;
- the determinations in the credit authorisations area were in line with applications received, although more time was being spent on these cases than anticipated;
- the Intact system was working well and lessons had been learned from previous releases which would inform future ones;
- work was being undertaken to make the watchlist a more useful tool;
- the work carried out and resources applied in relation to financial crime, noting that the External Risk and Strategy Committee would be reviewing the issue of cyber-crime at a forthcoming meeting;
- the improvements made to the process for market studies;
- the Executive would monitor people resources and turnover closely to ensure any negative effects of recent events were managed if they arose. Ms McDermott undertook to provide an update on any issues in her monthly report in future, and the Board noted the Director of HR would be attending the Audit Committee in September; and

- the performance of shared systems with the PRA had improved significantly; the Board encouraged the Executive to ensure there was a mutually-agreed plan for any future separation of systems, emphasising the need to have regard to the cost and the efficiency impact on firms.

Mr Bailey joined the meeting.

Ms McDermott left the meeting.

3.2 Divisional Report - Markets Policy & International

The Board received a presentation on the Markets Policy and International Division, covering its strategy and activities.

The Board discussed the focus of the Division and the ways in which the FCA identified and used the international landscape to deliver its objectives effectively. The Board noted the interaction between the work of the Division and the FCA's priorities.

The Board noted the extent to which the output of the FCA was scrutinised by other regulators and the need for continued senior level engagement at EU level. It asked Mr Wheatley to discuss with Mr Lawton how he might be able to assist in EU engagement during his role as an advisor to the Board.

3.3 Report from the PRA

The Board noted the report from Mr Bailey, including the following points:

- the Financial Stability Report had been produced;
- there had been a close focus by the authorities on Greece.
- the change to the deposit protection limit had been announced; and
- the changes in senior staff at a number of financial institutions.

Ms McDermott re-joined the meeting.

3.4 Review of the implementation of the regulation of consumer credit

The Board noted the update on the regulation of consumer credit and in particular the collaboration on cross-organisational issues. This had been facilitated by fluid structures enabling the drawing together of expertise across the organisation and establishment of temporary teams to tackle specific issues.

The Board noted the various ways the team was measuring success, including progress with applications, where over 17,500 applications had been determined since April 2014, effective communication with firms, and action taken to tackle poor conduct and provide consumers redress. There were also a number of examples of positive feedback about the FCA as regulator of consumer credit via media and stakeholder feedback.

The Board discussed the challenges for the Credit Authorisations area, including the number, complexity and quality of applications. The Board noted the importance of ensuring the FCA was not a barrier to entry and supported the review of the resourcing and the level of scrutiny of certain types of cases, whilst ensuring that there was no welfare loss to consumers of doing so. The Board asked for the results of any review to be reported at a future meeting.

3.5 Listing Authority Advisory Panel annual report

The Board noted the report from the Panel Chair and the areas for focus of the Panel over the forthcoming year. These included the capital markets union, the market abuse regulations and provision of advice by the FCA and the potential for regulatory overload.

Mr Bailey left the meeting.

3.6 Payment Protection Insurance Update

The Board noted the update on the gathering of trends in PPI complaints to assess whether the current approach was continuing to meet the objectives of securing appropriate protection for consumers and enhancing the integrity of the UK's financial system. It agreed that the Executive should revert to the Board in September with an update.

3.7 PCBS – Accountability in Foreign Branches

The Board agreed to publish the proposals for near-final rules.

3.8 PCBS - Accountability for Solvency II Firms & consequential rule changes

The Board noted the proposed changes to the rules and that it would be asked to approve these during August.

4 Report from the Chief Executive

The Board received the report from the CEO and noted the following points:

- the implications of announcements in the July budget that affected the FCA or financial services firms and the potential for the Chancellor to prepare a remit letter for the FCA setting out expectations. The Board asked to be kept informed of any updates;
- the update on the financial advice market review;
- the re-launch of Project Innovate; and
- the implications of the result of the Hayes trial on the FCA and any ongoing enforcement cases.

5 Decisions reserved to the Board

5.1 Rules & Guidance to be determined

The Board made five instruments set out in Annex B.

5.2 Decisions of the Board

The Board approved:

- the appointment of Jackie Hunt as Deputy Chair of the Practitioner Panel for two years from 1 September 2015 to 30 September 2017;
- the appointment of Phillip Monks as a member of the FCA Smaller Business Practitioner Panel for 3 years from 1 August 2015 to 31 July 2018;
- the appointment of Phil Carey as a member of the FCA Smaller Business Practitioner Panel for 3 years from 1 September 2015 to 31 August 2018;
- the appointment of Chris Cummings, Caroline Ramsay and Kevin Brown as members of the Regulatory Decisions Committee from start dates to be agreed for terms of 3 years;

- the appointment of Robin Mason, Jonathan Haskel, Malcolm Nicholson and Stuart McIntosh as members of the Competition Decisions Committee from start dates to be agreed for terms of three years;
- the appointment of Elizabeth France and John Hull as deputy Chairs of the Regulatory Decisions Committee from start dates to be agreed for terms of three years;
- the appointment of Tim Parkes as Chair of the Regulatory Decisions Committee from a start date to be agreed for a term of three years;
- the extension of the appointment of the current Acting Chair of the Regulatory Decisions Committee, Peter Hinchliffe, until the new Chair starts in role;
- the amendments to the FCA corporate governance document, including the changes to the terms of reference of the Audit Committee and the External Risk and Strategy Committee; and
- the amendments to Code of Conduct for Staff, with final approval of the wording delegated to the Executive Committee.

6 Papers for noting

6.1 Minutes of Executive Committee meetings held on 30 June & 7 July 2015

The Board noted the minutes of the Executive Committee meetings.

6.2 Forward agenda

The Board noted the Forward Agenda.

7 Any other business

The Board noted this was Mr Wheatley's last Board meeting and recorded its thanks to him for his contribution to the FCA.

8 HBOS Review Update

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

Sir Brian updated the Board on the progress of the report. The Board agreed that the process of obtaining consent to publish confidential information covered by section 348 FSMA should now commence.

9 Any other business

There was none

Claire Strong
Deputy Company Secretary

ANNEX A: Attendees

Dr Tracey Long	Boardroom Review
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Claire Strong	Deputy Company Secretary
Christopher Woolard	Director of Strategy & Competition
Alison Barker	Head of Department, Infrastructure & Trading Firms (for item 1.3)
Natalie Baylis	Head of Department, Markets, Funds & Authorisations (for item 3.7)
Nausicaa Delfas	Director, Specialist Supervision Division (for item 3.6)
Simone Ferreira	Head of Department, Event Supervision (for item 3.6)
David Fisher	Head of Department, Credit Permissions (for item 3.4)
Susanne Gahler	Manager, Investment Management Sector Team (for item 1.1)
David Godfrey	Chief Operating Officer (for item 3.1)
Simon Green	Director, General Insurance & Protection (for item 1.2)
Richard Johnson	Manager, Cross Cutting & Prudential Head of Department Office (for items 3.7 and 3.8)
David Lawton	Director, Markets Policy & International (for item 3.2)
Richard Monks	Manager, Policy Director's Office (for items 3.7 and 3.8)
James Palmer	Chairman, Listing Authority Advisory Panel (for item 3.5)
Roma Pearson	Manager, Consumer Credit (for item 3.4)
Christopher Preston	Manager, Complex Events 2 (for item 3.6)
Ed Smith	Head of Department, Banking, Lending & Distribution (for item 3.6)
Emma Stranack	Head of Department, Consumer Comms & Engagement (for item 3.6)
Robert Taylor	Head of Department, Investment management (for item 1.1)
Mark Wilson	Head of Department, General Insurance Wholesale (for item 1.2)
Linda Woodall	Director, Supervision - Retail & Authorisations (for item 1.3 and 3.4)

Relevant Technical Specialists and associates also attended the meeting.

ANNEX B: Resolution

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

Retail Distribution Review (Platforms) (Amendment No 3) Instrument 2015 (FCA 2015/40)

Mortgage Credit Directive (Amendment) Instrument 2015 (FCA 2015/41)

Consumer Credit (Mortgage Credit Directive) Instrument 2015 (FCA 2015/42)

The Board of the Financial Conduct Authority resolves to consent to and approve the making by the Board of the Financial Ombudsman Service of the following instruments which fall within the responsibility of that organisation:

Complaints Handling (Financial Ombudsman Service) Instrument 2015 (FOS 2015/7)

FEES Manual (Financial Ombudsman Service Case Fees 2015/16) Instrument 2015 (FOS 2015/8)