

## Minutes

Meeting:	FCA Board	
Date of Meeting:	24 & 25 February 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 Performance Report

The Board received the paper and noted the following points:

- the volume of authorisations had increased significantly;
- the team was taking legal advice in some authorisation cases where business models were particularly complex;
- the team that produced the performance report was concentrating on developing further the metrics for measuring the achievement of the objectives;
- the Board noted the supervision metrics were useful but felt that more management commentary would add value;
- the way in which resource allocation decisions were being taken, which for short term issues were at Director level and for longer term allocations in relation to the priorities identified in the business plan would be via the Executive Committee;
- the expected and actual case loads of the Enforcement division and the factors affecting this. The Board noted there was a strong pipeline of cases;

- all House Views had been developed and would be reviewed by the Executive Committee by the end of April; local business plans were being developed using the issues and priorities identified in the House Views. The External Risk and Strategy Committee would review the relationship between the house views and the risk registers recording other external risks;
- external staff turnover had increased slightly and there was a large proportion of the organisation's staff who had less than two years' service at the FCA (although they may have significant other experience); and
- there were a number of overdue actions from internal audit reports which would be considered by the Audit Committee in March.

## **2 Minutes and meetings**

### 2.1 Minutes of the FCA Board meeting

The Board approved the minutes of the FCA Board meetings held on 27 & 28 January and 5 February 2016.

### 2.2 Matters arising

The Board noted the progress with the matters arising.

Ms McDermott explained that the communications in relation to the thematic review of the fair treatment of long standing customers in life insurance were being developed. She would provide the Board with an update the following week.

### 2.3 Monthly reports from the Independent Panels

The Board reviewed and discussed the reports from the Independent Panels. In particular it noted:

- the Executive had suggested to the Treasury that the expert panel for FAMR should utilise the knowledge and experience of the existing statutory Panels;
- the Smaller Business Practitioner Panel's comments on success measures, which the Executive was keen to explore further;
- the Executive would review the success of the interaction with the Panels in relation to the House Views;;
- the issues raised by the SBPP regarding SMEs as users of financial services, and the wider challenges of defining sophisticated consumers appropriately;
- Ms Davidson had attended the Consumer Panel meeting; the Board noted the Consumer Panel's comments on the consultation on PPI;
- Ms Bradley had attended the Markets Practitioner Panel, as had Ms McDermott who remarked on the good discussion that had taken place on a wide range of issues including the impact of regulation; and
- the Market Practitioner Panel's comments on MiFID II, particularly the challenges that remain even with the delayed date of application, and on the asset management market study.

### 2.4 Report from the PRA

The Board received the report from Mr Bailey and noted the following points:

- the market conditions and in particular the elements of volatility affecting the share prices of banks;
- the terms of the EU “new settlement” agreed at the European Council on 19 February 2016 which included some aspects related to financial stability; and
- the work undertaken by the Bank on assessing the underwriting standards for buy to let mortgages that would be considered by the FPC.

### **3 Report from the Chief Executive**

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

- the decision on the Holmcroft case had been handed down the previous day and there were some key issues highlighted in the judgement regarding the status of a skilled person;
- the E&Y report into FinTech had been published which referred positively to Project Innovate and the regulatory environment in the UK;
- the NAO report on regulation and redress of financial services mis-selling had been published earlier in the week; Ms McDermott would shortly be giving evidence to the Public Accounts Committee with Ms Wayman of the Ombudsman Service and Mr Kingman and Mr Roxborough of HM Treasury about this;
- the work that the FCA and the PRA were doing together to highlight the need for firms to comply with the Senior Manager Regime by 7 March;
- the CMA’s inquiry on current accounts had been published and further draft remedies would be published the following week which may have implications for the FCA; and
- the resilience of core systems, a report of which would be included in the CEO report for the following meeting.

#### **FAMR Update**

The Board received the report from Mr Smith and noted the findings of the FAMR and the associated recommendations proposed for the FCA. The Board noted the recommendations in the areas of affordability, accessibility and liability and redress and the proposals for implementation.

The Board supported the recommendations in the report and the publication by the FCA and the Treasury of the final version of the report.

### **4 Specific items of business**

#### **4.1 Business Plan 16/17**

The Board received the paper and noted the following points:

- the Board favoured including more measures of achievement of objectives;
- the drafting of the report could be refined to show a greater linkage between the risk outlook and the seven themes for the business plan and to ensure it reflected current market conditions;
- the Board was keen to provide some detail of the work that would be undertaken; and

The Board agreed the basis for the draft Business Plan which would be reviewed again at the next Board meeting.

#### 4.2 FCA Annual Report

The Board received the paper.

The Board agreed the scope of the report.

#### 4.3 Enterprise Bill & Sustainable Regulation

The Board received the paper and noted the following points:

- The Government has set a £10 billion target to cut the cost of regulation during this Parliament and expects regulators, including the FCA, to play a part in this initiative;
- the Department of Business, Innovation and Skills (BIS) consultation named the FCA as within scope of the Enterprise Bill. This would mean that if passed, relevant FCA regulatory changes would count towards the Government's Business Impact Target (BIT) and would require the FCA to report the cost of relevant regulatory changes to the Regulatory Policy Committee (RPC); and
- the Enterprise Bill would require the FCA to estimate the cost to business of all relevant changes to its regulation, this assessment would be different to an existing FSMA cost-benefit analysis.

The Board agreed:

- the team should prepare a response to the BIS consultation in respect of the FCA's inclusion in the BIT; and
- that the Executive should make preparations to fulfil the FCA's reporting obligations under the Enterprise Bill.

The Board agreed that if there were situations where there was a risk FCA's role as an independent regulator was being compromised; the statutory objectives should take precedence.

#### 4.4 PSR Annual Plan 2016/17 for approval

The Board received the paper and considered the budget and plan.

Ms Nixon agreed it would be helpful to include greater description of the work the PSR would undertake in 2016/17 in respect of the market studies.

The Board approved the PSR Annual Plan 2016/17.

#### 4.5 Senior Manager Regime

The Board received the paper and noted the changes made since the last meeting. It noted that in line with its suggestion at the last meeting, an independent internal reviewer had stress tested the documents to highlight areas which might not be in keeping with the spirit of the policy requirements for firms. The Board noted the results of the review and the areas where the FCA had diverged from the requirements for firms, which reflected the different constitution and functions of the FCA as a public authority and regulator.

The Board agreed the management responsibilities map and the individual statements of responsibility for the FCA. It recommended to the PSR Board for approval the management responsibilities map and the individual statements of responsibility for the PSR.

The Board agreed that a report be provided at least annually to the Board or a nominated sub-committee on the FCA's application of the regime.

The Board noted the communications approach and delegated sign off to the FCA CEO of the final typeset documents and the detailed communication plan.

#### 4.6 FCA 2016/2017 Fees

Ms Davidson declared a potential conflict as she was recently a member of a regulated firm which would be subject to the fees. The Board noted the declared conflict and authorised it pursuant to Article 10.2, permitting Ms Davidson to participate in the decision of the matter.

The Board considered the paper proposing the allocation of the Annual Funding requirement across fee blocks for consultation. The Board discussed the possible alternatives and some of the reasons that these were not viable.

The Board approved for consultation the allocation of the 2016/17 AFR (excluding Consumer Credit) to fee-blocks as set out in Annex B to the paper; and agreed there should be no change in the related minimum fees (excluding Consumer Credit).

#### 4.7 Update to the FCA's Value For Money Strategy

The Board received the paper and noted the following points:

- the current value for money strategy was almost three years old and did not reflect the latest experiences of value for money or changes in the wider organisation;
- the elements of the proposed revised strategy;
- the value for money strategy would be reflected in the senior managers' shared objectives;
- there were some cultural changes that would be required to deliver the strategy; and
- operational efficiency and effectiveness was difficult to quantify but measures were being developed.

The Board endorsed the revised strategy and approach.

#### 4.8 Community Engagement

The Board received the paper and noted the following points:

- the community engagement, diversity and inclusion and sustainability teams all had separate strategies. The team was considering whether these could be brought together in one policy/strategy, which would be brought back to the Board as the agreement of this was a matter reserved to the Board;
- over 30% of staff had used their volunteering hours;
- the organisation was looking at ways to use volunteering as an opportunity for skills development and working in the community to advance the FCA's statutory objectives;
- the move to Stratford provided both opportunities and challenges to develop the infrastructure to deliver volunteering and which would make a difference in the area; and
- it would be helpful to get more senior staff to discuss their volunteering activity so as to act as role models for others.

The Board expressed its support for the community engagement work and encouraged the team with the development of the programme as a result of the FCA's move to Stratford.

The Chair suggested that the Board should receive a presentation on Corporate Responsibility issues on an annual basis and asked Board members to contact the team if they would be willing to discuss their own volunteering work.

## **5 Decisions reserved to the Board**

### 5.1 Rules & Guidance to be determined

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

### 5.2 Decisions of the Board

The Board agreed:

- the amendments to the FCA corporate governance document;
- the composition of the Board committees with effect from 1 April 2016 as set out in Annex B to the paper and approved the appointment of the individuals concerned to the relevant posts (subject to the Chair being satisfied there would not be a conflict of interest if the Chair of the Pension Plan Trustee Company were also to be Chair the Remuneration Committee);
- the re-appointment to the Consumer Panel of Jonathan May for a period of one year at a rate of £8,500 per annum from 1 March 2016 to 28 February 2017;
- the appointment of Philip Marsden as an additional member of the Competition Decisions Committee from 1 March 2016 for a three year term until 28 February 2019; and
- the Policy on conflicts of interest in connection with the appointment of "appointed members" to the FCA Board, subject to certain minor amendments.

## **6 Papers for noting**

### 6.1 Minutes of the Executive Committee meetings

The Board noted the minutes of the Executive Committee meetings held on 7, 9 and 16 December 2015 and 12 and 19 January 2016

### 6.2 Forward agenda

The Board noted the forward agenda.

## **7 Any other business**

There was none.

**Claire Strong**  
**Deputy Company Secretary**

## **ANNEX A: Attendees**

Greg Choyce	Head of Department, General Counsel
Bradley Fried	Non-Executive Director elect
Ruth Kelly	Non-Executive Director elect
Simon Pearce	Company Secretary
Claire Strong	Deputy Company Secretary
Sophia Adams Bhatti	Manager, Strategy Development (for item 4.1)
Jennifer Barrow	Manager, Corporate Responsibility (for item 4.8)
Megan Butler	Director, Supervision, Investment, Wholesale & Specialists
Vito Capobianco	Manager, Finance Director Office (for item 4.7)
Jennifer Dalby	Manager, Business Planning & Prioritisation (for item 4.1 & 4.2)
Jonathan Davidson	Director, Supervision – Retail & Authorisations (for item 1.1)
Jacqueline Davies	Director, Human Resources (for item 4.5)
David Geale	Director, Policy (for item 4.3)
David Godfrey	Director, Finance (for item 1.1, 4.6 & 4.7)
Mark Hunnable	Manager, Finance – Revenue (for item 4.6)
Richard Johnson	Manager, Strategy & Competition - Governance & Professionalism (for item 4.5)
Neil Marshall	Manager, Competition Strategy & Pipeline Team (for item 4.2)
Richard Monks	Head of Department, SC – POL Prudential Protection Governance & Investments (for item 4.3)
Hannah Nixon	Director, PSR (for item 4.4 & 4.5)
Georgina Philippou	Chief Operating Officer (for item 1.1, 4.5, 4.6, 4.7 & 4.8)
Eleanor Searley	Manager, CEO office (for item 4.5)
Ed Smith	Head of Department, SC – POL Banking, Lending & Distribution (for part of item 3)
Mary Starks	Director, Competition (for item 4.2)
Grahame Tinsley	Manager, PSR Operations (for item 4.4)
Andrew Whyte	Director, Communications (for item 4.5)

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:

Handbook Administration (No 40) Instrument 2015 (FCA 2016/9)

Individual Accountability (Conduct Rules) (Breaches Reporting) Instrument 2016 (FCA 2016/10)

Accountability (Foreign Branches) (Amendment) Instrument 2016 (FCA 2016/11)

Handbook Separation (Fees) Instrument 2016 (FCA 2016/12)

UKLA Fees (and Related Fees) Instrument 2016 (FCA 2016/13)

Retail Distribution Review (Miscellaneous Amendments) Instrument 2016 (FCA 2016/14)

Handbook Separation (Insurance) Instrument 2016 (FCA 2016/15)