

Minutes

Meeting:	FCA Board	
Date of Meeting:	22 and 23 June 2016	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Andrew Bailey	Sarah Hogg
	Catherine Bradley	Ruth Kelly
	Amelia Fletcher	Tracey McDermott
	Bradley Fried	Jane Platt
	John Griffith-Jones (Chair)	Christopher Woolard
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 PSR Final Annual Report and Accounts

The Board noted that the PSR Board had met earlier and approved the PSR Annual Reports and Accounts, subject to discussions with the NAO in relation to how fees returned by the PSR should be reflected in the financial statements and approval of additional wording in the Chairman's foreword and financial statements if the outcome of the referendum vote was that the United Kingdom should leave the EU.

1.2 Final FCA Annual Report & Accounts

The Board noted the changes to the Report and Accounts since the previous draft, notably the amendments to judgements on the FCA's performance and the additional wording in the Chairman's foreword and financial statements if the outcome of the referendum vote be that the United Kingdom should leave the EU.

The Board also noted that final discussions would be held with the FCA Chair and the Remuneration Committee Chair in relation to the remuneration table, and with the National Audit Office (NAO) in relation to how fees returned by the PSR should be reflected in the group accounts.

The Board delegated authority to the Chief Executive to approve minor changes to the report. Subject to minor changes to the report, amendments to the remuneration table, if

required, and agreement by the NAO, the Board approved the final FCA Annual Report and Accounts for signing by the Chair, Chief Executive and the Company Secretary.

1.3 Final FCA Annual Competition Report

The Board approved the final FCA Annual Competition Report

1.4 House View – Wholesale

The Board noted the preliminary house view on wholesale financial markets which provided the essential building blocks for an assessment of whether the relevant sectors were working well. The Board noted that given the complexity of the exercise, it was seeing this house view at an earlier stage than normal.

The Board noted the following points:

- the wholesale house view focused on the full breadth of the market. Due to the size and complexity of the market it would be split into five separate wholesale house views each covering a separate area: transaction services; wholesale lending; equity, debt, primary and secondary markets; derivatives; and foreign exchange and commodities cash markets;
- wholesale markets were markedly different from retail sectors and a modified analytical approach and lens assessment framework had been developed to determine whether the sectors were functioning properly;
- market integrity was important for this sector therefore, in addition to activities in relation to the FCA's consumer protection and competition objectives, a large amount of the focus of analysis was centred on how the FCA's market integrity objective could be achieved; and
- the Board would receive the house views for three of the five wholesale areas (equity, debt, primary and secondary markets; derivatives; and foreign exchange and commodities cash markets) later in the year. A plan for completing the house views for transaction services and wholesale lending areas would also be presented ahead of the business planning prioritisation process.

1.5 Practitioner Panel Annual Report

Mr Simões presented the Practitioner Panel Annual Report and highlighted the work of the Panel over the past year, which had focused on their three priorities: the FCA as an effective regulator, the strategic impact of regulation and the Panel's relationship with the FCA.

The Board noted that the relationship with the FCA had improved with increased support from the Executive and stronger engagement with the FCA.

1.6 Practitioner Panel Survey

Mr Simões presented the report on the results of the recent Practitioner Panel Survey and the Board noted the following:

- the majority of firms were reasonably satisfied with the regulatory relationship. In general, the firms believed the FCA was an effective regulator and felt their interaction was at about the right level;
- the overall effectiveness score had remained the same as last year, with firms scoring the FCA at 6.7 out of 10. Satisfaction with the FCA had increased slightly year on year from 7.1 out of 10 in 2015, to 7.2 in 2016;

- the 2016 report showed that industry confidence in the FCA's ability to address its competition objective had reduced slightly compared to last year, and continues to be rated lower than the other objectives. The Executive agreed to explore this further;
- the long-term savings and pensions sector was less satisfied with the FCA overall, with a lower rating for the effectiveness of the FCA in regulating the industry, and confidence in the FCA's ability to meet its objectives. The Board noted that this could be attributed to the significant changes that had recently occurred in the sector and the Executive Committee agreed that more work should be done following publication of the survey to investigate in more detail the data behind these concerns;
- the areas identified for improvement, which included more transparent and forward looking regulation and improving the knowledge of FCA staff and supervisors.

2 Minutes and meetings

2.1 Minutes of the FCA Board meeting

The Board approved the minutes of the FCA Board meetings held on 25 and 26 May 2016.

2.2 Draft minutes of the External Risk and Strategy Committee meeting

The Board noted the draft minutes of the External Risk and Strategy Committee meeting held on 13 May 2016.

2.3 Draft minutes of the Audit Committee meeting

The Board noted the draft minutes of the Audit Committee meeting held on 22 June 2016.

2.4 Update on the PSR Board meeting

Mr Griffith-Jones provided an oral update on the matters discussed at the meeting on 22 June 2016.

2.5 Matters arising

The Board noted the progress with the matters arising.

2.6 Monthly reports from the Independent Panels

The Board reviewed the Panel reports and the following points were discussed:

- both the Practitioner Panel and Small Business Practitioner Panel cited their recent discussions on the review of the Financial Services Compensation Scheme (FSCS). Both Panels agreed that it was an appropriate time for the FCA to review the current funding model as it no longer reflected the risk profile of the industry. The views of the Panels would be taken into consideration when the Board considers the review of the Scheme; and
- the Panels' views on the merits of the proposal to extend the Senior Managers Regime to all non-executive roles; noting that the Executive had engaged the Panels at a very early stage prior to discussion with the Executive Committee.

3 Report from the Chief Executive

The Board received an update on the FCA's internal planning for the EU referendum, which included particular attention on the following areas:

- the supervision of firms, major funds and client assets;

- the potential impact on transactions and the markets; and
- the communications with staff, consumers and firms immediately after the result of the referendum and speeches planned in the coming weeks.

The Board noted the arrangements in place for senior decision making on 24 June 2016, recognising that the Executive had the appropriate authority to deal with any disorderly circumstances. It noted the co-ordination and engagement with UK and overseas authorities up to and after the referendum result.

The Board noted the report from Ms McDermott.

4 Report from the PRA

The Board received an update on the PRA's supervision work prior to the referendum and the contingency plans in place to maintain stability after the referendum.

5 Specific items of business (cont'd)

5.1 Complaints Commissioner Annual Report and draft response

The Board received the paper and noted the comments of the Complaints Commissioner in relation to the contents of his annual report. This was the first annual report that would be laid before Parliament.

The Commissioner intended the report to be constructive, he believed the complaints scheme worked well, he had a good relationship with the Complaints team and the majority of cases he reviewed in stage two were dealt with appropriately.

The Board noted the Commissioner's examples of cases where he believed the FCA could have dealt with the issues differently and the themes set out in his report.

The Board considered the draft response to the Independent Complaint Commissioner's annual report and authorised the CEO to make amendments to the FCA's draft response prior to the release of the Commissioner's report to HM Treasury to be laid before parliament.

5.2 Independent Panels Annual Reports

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

The Board acknowledged the work of each of the Panels over the past year and noted 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 discussed some of the issues raised in the reports with the Panel Chairs.

The Panels acknowledged and welcomed the increased support from the Executive and engagement with the FCA.

5.3 PSR Governance

The Board received the paper and noted Counsel's advice, on the basis of which there appeared to be no need for a general conflicts policy.

The Board approved the agreed set of arrangements between Andrew Bailey and Hannah Nixon and appointed Andrew Bailey to the PSR Board with effect from 1 July 2016 for a term of three years.

5.4 Executive Governance

The Board received the paper from Ms Searley which set out the Executive Committee structure and recent work to strengthen the Governance arrangements, which included ensuring the executive governance reflected the revised organisational structure and internal application of the Senior Managers Regime, updating terms of reference and providing updated information to staff on the roles of Committee Chairs, members and paper sponsors.

Additional work was underway to ensure the Committees were operating as effectively as possible and staff understood clearly the appropriate levels for decision making.

The Board noted that the arrangements provided a clear line of accountability to the Board and were consistent with the Senior Managers Regime.

5.5 Payment Protection Insurance Next Steps

The Board received an update on the feedback received to the consultation issued in November 2015, the areas of feedback the team believed were the most significant, and the implications for the original proposals and management of risk.

The Board supported the general direction of travel and asked the team to return to a future Board meeting with full details of the proposals and the campaign.

6 Decisions reserved to the Board

6.1 Rules & Guidance to be determined

The Board discussed the rules and guidance presented for decision. The Board decided to defer the consideration of two instruments implementing EU directives until after the result of the referendum so further information could be provided.

The Board passed the resolutions set out in Annex B.

The Board also noted that it had made the Disclosure Rules and Transparency Rules Sourcebook (Statutory Audit Amending Directive) Instrument 2016 by written procedure on 16 June 2016.

6.2 Decisions of the Board

The Board agreed:

- to appoint Paul Matthews as a member of the FCA Practitioner Panel for a term of three years from 27 June 2016 to 30 June 2019;
- the extension of the contract for Steria relating to Consumer Credit support; and
- that a small group of Non-executives should meet to discuss the conflicts policy and code of conduct.

7 Papers for noting

7.1 Minutes of the Executive Committee meetings

The Board noted the minutes of the Executive Committee meetings held on 12 and 19 April, and 3 and 17 May 2016 which had been circulated outside the meeting.

7.2 Forward agenda

The Board noted the forward agenda.

8 Any other business

The Chair congratulated Ms McDermott on being awarded a CBE and, as this was her last Board meeting, thanked her sincerely for her work for the FCA and particularly during her term as CEO of the FCA.

Claire Strong
Deputy Company Secretary

ANNEX A: Attendees

Megan Butler	Director, Supervision, Investment, Wholesale & Specialists
Alana Christopher	Assistant Company Secretary
Sean Martin	General Counsel
Claire Strong	Deputy Company Secretary
Clinton Askew	Chair, Smaller Businesses Practitioner Panel (for item 6.2)
Alison Barker	Head of Department, Markets Intel and Data Analysis (for item 1.4)
Michelle Campbell	Manager, Corporate Services Complaints Team (for item 6.1)
Graham Collett	Manager, Consumer Panel Secretariat Team (for item 6.2)
Nausicaa Delfas	Head of Department, Specialist Supervision Division (for item 6.5)
Simone Ferreira	Head of Department, Event Supervision (for item 6.5)
Robin Finer	Head of Department, Competition Dept 1 - Wholesale / Investment Sector (for item 1.4)
Catherine Grant	TNS BMRB (for item 1.6)
David Godfrey	Director, Finance (for item 1.1)
Nicholas Holloway	Manager, GCD Investment, Insurance and Redress (for item 6.5)
Stephen Humphreys	Head of Department, Corporate Communications (for item 1.1)
Edwin Schooling Latter	Head of Department, Markets Policy (for item 1.4)
David Lawton	Director, Markets Policy & International (for item 4)
Sue Lewis	Chair, Consumer Panel (for item 6.2)
Robert Mass	Chair, Markets Practitioner Panel (for item 6.2)
Neil Marshall	Manager, Competition Strategy & Pipeline Team (for item 1.1)
Nick Miller	Head of Department, International (for item 4)
Alex Nicoll	Manager, FIN-Financial Accounting/P2P (for item 1.1)
Christopher Preston	Manager, Event Supervision - Complex Events 2 (for item 6.5)
Ivona Poyntz	Office of the Complaints Commissioner (for item 6.1)
Eleanor Searley	Manager, Chief Executive Office (for item 6.4)
António Simões	Chair, Practitioner Panel (for items 1.5 & 1.6)
Mary Starks	Director, Competition (for item 1.1)
Emma Stranack	Head of Department, Business & Consumer Communications (for item 6.5)
Gareth Thomas	Manager, Competition Dept 1 - Wholesale / Investment Sector (for item 1.4)
Grahame Tinsley	Manager, PSR Operations (for item 1.1)

Highly Sensitive Information

Antony Townsend	Independent Complaints Commissioner (for item 6.1)
Kerry Watt	Manager, Strategic Risk Analysis (for item 1.4)
Andrew Whyte	Director, Communications (for item 4)

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:

Periodic Fees (2016/2017) and Other Fees Instrument 2016 (FCA 2016/41)

Fees (Payment Systems Regulator) (No 2) Instrument 2016 (FCA 2016/42)

Market Abuse Regulation Instrument (No 2) 2016 (FCA 2016/44)

Supervision Manual (Reporting No 2) Instrument 2016 (FCA 2016/45)

Enforcement Guide (Warning Notices Publicity) Instrument 2016 (FCA 2016/46)