

Corporate governance of the Financial Conduct Authority

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Chapter 1

Introduction

- 1.1** The purpose of this document is to summarise the corporate governance framework within the Financial Conduct Authority (the FCA) which defines the way in which the FCA is constituted, directed and controlled by its governing body, the Board. It specifies the distribution of rights and responsibilities from the Board to its committees, to various other committees carrying out particular regulatory functions and to executive level. To do this the document outlines how the FCA is constituted, the role of the Board, the Chair, the Chief Executive, the Directors, and the Secretary and sets out which decisions are reserved specifically to the Board (the "Schedule of Matters Reserved to the Board") and the process by which the Board delegates some other responsibilities to committees or individuals.
- 1.2** S.3C of the Financial Services and Markets Act 2000 as amended (FSMA) states that, in managing its affairs, the FCA must have regard to such generally accepted principles of good corporate governance as it is reasonable to regard as applicable to it. As the FCA is a company limited by guarantee, it is not obliged to comply with the UK Corporate Governance Code (the Code). However, the Board is committed to meeting high standards of corporate governance and has decided that the FCA should comply with the Code where appropriate and applicable. The Board will present a corporate governance statement within the FCA's Annual Report each year that will provide an explanation of how the FCA is governed in line with the principles of the Code.

Chapter 2

The FCA's Constitution and History

- 2.1** The FCA is a company limited by guarantee (Company No. 1920623). It was incorporated on 7 June 1985 as The Securities and Investments Board Limited and its name was changed on 20 August 1987 to The Securities and Investments Board (SIB). Following the merger of banking supervision and investment services regulation, the SIB changed its name to the Financial Services Authority (FSA) on 28 October 1997. In June 1998, responsibility for banking supervision was transferred to the FSA from the Bank of England and in May 2000 the FSA took over the role of UK Listing Authority from the London Stock Exchange. The Financial Services and Markets Act (FSMA), which was implemented on 1 December 2001, transferred to the FSA the responsibilities of several other organisations:
- a.** Building Societies Commission
 - b.** Friendly Societies Commission
 - c.** Investment Management Regulatory Organisation
 - d.** Personal Investment Authority
 - e.** Register of Friendly Societies
 - f.** Securities and Futures Authority
- 2.2** FSMA also gave the FSA responsibility for taking action to prevent market abuse. In October 2004, the FSA took on responsibility for mortgage regulation and, in January 2005, the regulation of general insurance business. On 1 April 2013, following the enactment of section 1A of FSMA, the organisation was renamed the Financial Conduct Authority (FCA). The FCA must comply with the requirements contained in Schedule 1ZA of FSMA regarding how it is constituted.
- 2.3** The FCA is governed by a Board with members comprising: a Chair and a Chief Executive appointed by HM Treasury (Treasury); the Bank of England Deputy Governor for prudential regulation; the Chair of the Payment Systems Regulator; two non-executive members who are appointed jointly by the Secretary of State and the Treasury, and at least one other member appointed by the Treasury. The majority of the Board members are Non-Executive Directors (NEDs).
- 2.4** Appointments to the Board of the FCA are subject to the Code of Practice issued by the Office of the Commissioner for Public Appointments.
- 2.5** FSMA requires that the FCA has a number of accountability measures in place, including the requirement to report annually on the extent to which the FCA's regulatory objectives have been met and to hold an Annual Public Meeting (APM) every year. The APM must be held not later than three months after the Annual Report of the FCA has been submitted to the Treasury.
- 2.6** The FCA is funded by the industry it regulates through statutory fee-raising powers and operates independently of the government but is accountable to Parliament through obligations set out in FSMA.

- 2.7** The FCA is required to make and maintain effective arrangements for consulting practitioners and consumers on the extent to which its general policies and practices are consistent with its general duties. It does this through the Consumer Panel, Practitioner Panel, Smaller Business Practitioner Panel and Markets Practitioner Panel. More information about the ways in which the FCA ensures its duty of accountability in this area is fulfilled can be found on its website.
- 2.8** The Financial Services (Banking Reform) Act 2013 required the FCA to incorporate The Payment Systems Regulator Limited (the Payment Systems Regulator) and this was done on 1 April 2014. The Payment Systems Regulator is a wholly-owned subsidiary of the FCA and has its own corporate governance documents.

Chapter 3

The Purpose of the FCA

- 3.1** The purpose of the FCA is to ensure a robust, inclusive financial services industry in which stakeholders have confidence.
- 3.2** Our responsibilities are set out, and we are overseen, by Parliament. We fulfil our remit by regulating financial services firms and the activities they undertake.
- 3.3** We regulate the conduct of around 42,000 businesses.
- 3.4** We prudentially supervise around 41,000 firms.
- 3.5** Around 17,000 firms are subject to the prudential standards in our Handbook.
- 3.6** We have three primary objectives:
 - a.** To secure an appropriate degree of protection for consumers
 - b.** To protect and enhance the integrity of the UK financial system
 - c.** To promote effective competition in the interests of consumers
- 3.7** We also have a secondary objective to support the international competitiveness and growth of the UK economy in the medium to long term.
- 3.8** We recognise that situations will arise where we will need to manage interactions between our objectives.

Chapter 4

The Role of the Board

- 4.1** The Board is the governing body of the FCA. It sets the FCA's strategic direction and ensures its long-term success as a world-leading regulator.
- 4.2** The Board defines the level of risk the FCA is willing to accept to implement its strategic direction successfully and ensures that the necessary financial and human resources are in place for the FCA to meet its statutory objectives. It provides leadership of the organisation within a framework of prudent and effective controls which enables risk to be assessed and managed. It also reviews management performance. The Board sets the FCA's own behavioural standards, for example through the Code of Conduct and the Corporate Responsibility Policy.
- 4.3** The Board's role includes:
- a.** determining the matters that should be reserved to it for decision, which shall include the exercise of the FCA's legislative functions and other matters as set out in the Schedule of Matters Reserved to the Board from time to time. The Schedule of Matters Reserved to the Board is set out in this document
 - b.** making strategic decisions affecting the future operation of the FCA
 - c.** overseeing the discharge by the executive management of the day-to-day business of the FCA
 - d.** obtaining assurance about the performance of the FCA against its strategy and associated plans
 - e.** setting appropriate policies to manage risks to the FCA's operations and the achievement of its regulatory objectives
 - f.** seeking regular assurance that the system of internal control is effective in managing risks in the manner it has approved
 - g.** maintaining a sound system of financial control
 - h.** taking specific decisions, outside those specified in the Schedule of Matters Reserved to the Board, which the Board or executive management consider to be of a novel or contentious nature or to be of such significance that they should be taken by the Board
 - i.** maintaining high level relations with other organisations and authorities, including government, the Financial Services Compensation Scheme, the Financial Ombudsman Service and the Consumer, Practitioner, Smaller Business Practitioner, Markets Practitioner Listing Authority Advisory, and Cost Benefit Analysis Panels
 - j.** establishing and maintaining arrangements to ensure accountability regarding decisions of committees of the Board and executive management, through periodic reporting.
- 4.4** To discharge its duties effectively the Board normally meets at least ten times a year. Additional meetings of the directors are held as required. The quorum needed for business to be carried out is five directors as set out in the Articles.

- 4.5** The Board members may request information from any employee of the FCA and this includes calling any employee to attend a Board meeting to answer questions on a particular matter.
- 4.6** Any Board member who requires professional advice on a matter relating to their duties on the Board may make a request to the Secretary to have direct access to the FCA's professional advisers. If a Board member considers it essential to receive independent professional advice on a matter, this may be obtained at the FCA's expense within reasonable financial limits after reference to the Chair.

Chapter 5

The Role of the Chair and Chief Executive of the FCA

- 5.1** The UK Corporate Governance Code states that there should be a clear division of responsibilities at the head of any organisation between the running of the Board and the executive responsibility for the running of the organisation. No one individual should have unfettered powers of decision. The division of responsibilities between the Chair and Chief Executive are set out in writing below and may only be changed with the agreement of the Board.
- 5.2** The responsibilities of the Chair and Chief Executive of the FCA are not exercised by the same individual and are clearly defined. The Board will review the objectives for both the Chair and the Chief Executive annually and ensure that there is a clear division between their duties.
- 5.3** The key responsibilities of the Chair include:
- a.** Leading an effective Board, in particular through:
 - i. ensuring that the Board meets with sufficient frequency
 - ii. fostering an open, inclusive discussion which challenges executives, where appropriate
 - iii. ensuring that the Board devotes sufficient time and attention to the matters within its remit, including matters reserved for the Board
 - iv. ensuring that the Board and its members have the information necessary to perform its and their tasks
 - v. effective decision-making processes, and
 - vi. evaluating the performance of the Board and individual directors
 - b.** Maintaining a productive relationship with the FCA's Chief Executive and providing support and challenge (as appropriate) in achieving the objectives of the FCA.
 - c.** With the Chief Executive, managing key relationships with a wide range of both internal and external stakeholders to raise the FCA's profile and its policies.
 - d.** Representing the FCA on particular national and international financial institutions.
 - e.** Acting as a focus for the accountability of the FCA, for example, by chairing the FCA's Annual Public Meeting, giving evidence to parliamentary select committees and communicating with Government ministers on significant issues.
- 5.4** The Chair has no executive responsibility for the day-to-day running of the FCA but undertakes their responsibilities as Chair by fostering the relationships between executive and non-executive directors. In addition, the Chair ensures that the FCA's strategy is formulated clearly and is well understood internally and externally. The Chair provides a source of counsel and challenge to the Chief Executive on how the FCA is run. The Chair has an important externally facing role with stakeholders. To enable the Chair to undertake these duties and represent the FCA publicly, the Chief Executive ensures that the Chair is properly briefed on FCA business.

- 5.5** The Chair and Chief Executive discuss all major issues and emerging policies through frequent and normally informal meetings, and specifically discuss any contentious matters or those likely to set significant precedent.
- 5.6** The Chief Executive is responsible for implementing the strategy agreed by the Board, in the formulation of which the Chief Executive will have played a major part. They are also responsible for the leadership of the organisation and managing it within the authorities delegated to them by the Board.
- 5.7** The key responsibilities of the Chief Executive include:
- a.** reporting regularly to the Board with appropriate, timely and quality information so the Board can discharge its responsibilities effectively, informing and consulting the Chair on all matters of significance to the Board so that the Chair and Board can properly discharge their responsibilities
 - b.** developing and delivering the strategic objectives agreed with the Board
 - c.** recommending to the Board significant operational changes and major capital expenditures where these are beyond the Chief Executive's delegated authority
 - d.** assigning responsibilities clearly to senior management and overseeing the establishment of effective risk management and control systems
 - e.** recruiting, developing and retaining talented people to work at the FCA and, in particular, establishing a strong management team which is fairly and fully evaluated
 - f.** communicating throughout the FCA the strategic objectives and the values of the FCA agreed with the Board, and ensuring that these are achieved in practice
 - g.** sharing with the Chair and with other members of the FCA senior management the responsibility for communicating the FCA's messages externally and managing stakeholder relationships
 - h.** representing the FCA on particular national and international financial institutions
 - i.** taking such steps as are necessary to ensure that the PSR is, at all times, capable of exercising its statutory functions
 - j.** membership of the Financial Policy Committee and the Board of the Prudential Regulation Authority.

Chapter 6

Provisions relating to the Role of the Non-Executive Directors (NEDs)

- 6.1** The NEDs make up the majority of the FCA Board and have a variety of skills and experience that are appropriate for the requirements of the FCA.
- 6.2** The key responsibilities of Non-Executive Directors include:
- a.** constructively challenging and helping to develop the strategic direction of the organisation
 - b.** scrutinising the performance of the organisation in meeting agreed goals and objectives and monitoring reporting
 - c.** holding the Chief Executive and executive team to account for the FCA's performance and providing appropriate challenge, leadership and mentoring to the Executive Directors
 - d.** ensuring that the regulatory powers and responsibilities specifically reserved to the Board by legislation are exercised appropriately
 - e.** ensuring the FCA complies with all relevant good governance practices and legislative requirements and acts within the provisions of its Articles
 - f.** developing, promoting and acting at all times in the best interests of the FCA
 - g.** assisting in maintaining high-level relations with the FCA's key stakeholders
 - h.** ensuring appropriate policies are in place to manage risks to the organisation's operations and the achievement of its strategic objectives
 - i.** devoting time to developing and refreshing their knowledge and skills; and
 - j.** working with the executive and other board members on key issues.
- 6.3** In the event of any conflict of interest arising, whether personal or professional, all appropriate steps will be taken to protect both the director and the FCA and to ensure that all decisions are taken without any suggestion of unlawful bias.
- 6.4** The Board appoints one of the NEDs to be the Senior Independent Director and Deputy Chair to provide a sounding board for the Chair and to serve as an intermediary for the other directors when necessary.
- 6.5** The key responsibilities of the Senior Independent Director (Deputy Chair) include:
- a.** acting as the sounding board to the Chair and serving as an intermediary to other Directors as necessary
 - b.** acting as a channel of communication between the Non-Executive Directors and the Chair, if required
 - c.** meeting with the Non-Executive Directors at least once a year to appraise the Chair's performance
 - d.** assisting the Chair to develop a formal internal Board performance evaluation process, the themes to be discussed and agreed by the Board

- e. being available to key stakeholders and the public if they have concerns which contact through the normal channels of Chair, Chief Executive or other Executive Directors has failed to resolve or where such contact is inappropriate
- f. deputising for the Chair as required.

6.6 The NEDs meet privately with the Chair which gives them an opportunity to discuss any concerns they may have without the executive present.

6.7 The FCA, its directors and staff, benefit from exemption from liability for damages for anything done or omitted in the discharge, or purported discharge of the FCA's functions (FSMA Schedule 1ZA, part 4, paragraph 25). The FCA supplements this with indemnities in favour of individual directors.

Chapter 7

The Role of the Secretary

- 7.1** The Board is responsible for the appointment and removal of the Company Secretary, who is accountable to it through the Chair.
- 7.2** The Secretary provides a source of advice to Board members and is responsible for ensuring that Board procedures are followed and that applicable internal rules and regulations relating to the operation of the Board are met. In addition, the Secretary is responsible for maintaining the scheme of matters reserved to the Board and ensuring good information flows within the Board and its committees, as well as between senior executive management and NEDs. The Secretary will also arrange appropriate induction and training for all Board members.
- 7.3** The Secretary ensures that the business of the Board is compliant, where appropriate and applicable, with the UK Corporate Governance Code, the Companies Act, the Financial Services and Markets Act and all other relevant regulations and legislation. The Secretary also keeps under review all legal and regulatory developments affecting the operations of the FCA and makes sure that the directors are properly briefed about them.

Chapter 8

Delegation of Authority by the Board

- 8.1** The Board retains all decision-making powers except those which it has delegated to either a committee or an individual. The Schedule of Matters Reserved for Board decision is set out later in this document. All delegations by the Board continue to be without prejudice to the power of the Board to exercise the delegated functions itself.
- 8.2** The Board has established certain committees to which it has delegated specific powers, duties and decision-making responsibilities:
- Audit Committee (AuditCo)
 - Risk Committee (RiskCo)
 - Policy and Rules Committee (PaRCo)
 - People Committee (PeopleCo)¹
 - Oversight Committee
 - Regulatory Decisions Committee (RDC)
- 8.3** The terms of reference of the committees are set out below. Both Audit Committee and People Committee operate jointly with the PSR Audit and PSR People Committees. The terms of reference of the PSR Committees are set out in the [Corporate Governance of the PSR](#).
- 8.4** Subject to provisions contained in the Articles, the Board may establish other committees, consisting of such members as they think fit, and delegate to those committees the exercise of specific powers, duties and decision-making responsibilities.
- 8.5** The Chief Executive may exercise any function of the FCA except where:
- a. the function is a legislative function reserved by FSMA to the Board
 - b. the function is issuing, amending or revoking general guidance (as defined in section 139B(5) of the Financial Services and Markets Act 2000)
 - c. the function is contained in the Schedule of Matters Reserved to the Board or the terms of reference of committees of the Board
 - d. the function involves a decision which the FCA's decision-taking manual reserves to the RDC
 - e. it is considered by the Chief Executive or any such committee with the appropriate delegated authority that the matter should be referred to the Board.
- 8.6** When the Board exercises its legislative powers, its decision allows subsequent technical or drafting amendments to be made to the text of the relevant instrument, if they are within the scope of the Board's decision and agreed by the staff member responsible for the instrument and the General Counsel or their representative.

¹ PeopleCo replaced the Nominations and Remuneration Committees on 23 June 2022.

- 8.7** The Executive Committee established by the Chief Executive may issue, amend and revoke general guidance (as defined in section 139B(5) and 333P(9) of the Financial Services and Markets Act 2000).

Chapter 9

Further delegation of decision-making

- 9.1** The Chief Executive may delegate authority (and, if they choose, the authority to make further delegations) to one or more individuals or committees.
- 9.2** Where functions vested in the Chief Executive are exercisable through a committee, that committee may similarly delegate that authority to one or more individuals or committees. However, any new delegation must provide for:
- a.** decisions to be made at an appropriate level
 - b.** a clear line of accountability to the Board
 - c.** any person with authority to take a decision to be entitled instead to refer it to a person or committee which is more senior
 - d.** appropriate procedures for decision making to be in place.
- 9.3** The nature and scope of delegations should be recorded centrally.
- 9.4** Existing delegations of authority to take decisions within the executive management structure remain in force until replaced by new delegations.
- 9.5** A person nominated by the Chair may discharge any function in any case of urgency where it is not practicable for the Board, Chair, Chief Executive, or other executive Board member to discharge the function. Any decisions made or actions taken under this provision must be subsequently ratified by the Board.
- 9.6** The Executive Committee may delegate the ability to issue, amend and revoke general guidance (as defined in section 139B(5) of the Financial Services and Markets Act 2000) to another executive committee. Any such delegation must provide for a clear line of authority to the Board and appropriate procedures for decision making to be in place.

Chapter 10

Schedule of Matters Reserved to the Board

- 10.1** The Board is the Governing Body of the FCA as required by paragraph 2(1) of Schedule 1ZA of the Financial Services and Markets Act 2000 (FSMA).
- 10.2** This Schedule sets out those matters the Board reserves for decision. Except as set out in this Schedule and in the terms of reference of its committees, the Board delegates authority to the Chief Executive, with authority for further delegation.
- 10.3** This Schedule of Matters Reserved to the Board was approved by the Board on 3 October 2024.

Legislative functions

- 10.4** Discharge of those legislative functions of the FCA required to be exercised through the Governing Body by FSMA Schedule 1ZA, Paragraph 8(2).

Strategy and management

- 10.5** Responsibility for the overall leadership of the FCA and setting the organisation's values and standards.
- 10.6** Approval of the statements of responsibilities under the Senior Managers Regime for the Chair and the Chief Executive and the division of responsibilities between them.
- 10.7** Approval of the FCA's:
 - a.** Strategy
 - b.** annual Business Plan
 - c.** annual operating and capital expenditure budgets and any material changes to them
 - d.** risk appetite
- 10.8** Oversight of the discharge of the FCA's operations by executive management ensuring:
 - a.** competent and prudent management
 - b.** sound planning
 - c.** maintenance of sound management and internal control systems
 - d.** adequate systems of assurance and risk management
 - e.** adequate accounting and other records
 - f.** compliance with statutory obligations
- 10.9** Approval of major changes to the FCA's corporate structure (including the creation of a new business unit).
- 10.10** Agreement to cease to operate any material part of the FCA's operations.

Financial reporting and controls

- 10.11** Approval of the Annual Report and Accounts including the:
- a.** Strategic Report
 - b.** Directors' Report
 - c.** Corporate Governance statement
 - d.** Remuneration Report
 - e.** Report to the Treasury on discharging the FCA's functions under FSMA.
- 10.12** Approval of any significant changes in accounting policies or practices.
- 10.13** Approval of the delegation of financial authorities (DoFA).
- 10.14** Approval of financial decisions in accordance with the DoFA.
- 10.15** Approval of treasury policies.

Board membership and other appointments

- 10.16** Subject to the statutory requirements for the composition of the Board of the FCA, make representations to the Treasury on the structure, size and composition of the Board following recommendations from the People Committee.
- 10.17** Appointment of one of the non-executive members of the Board to be the Senior Independent Director and Deputy Chair.
- 10.18** Appointment of the members and the chair of the following Board committees:
- a.** Audit Committee
 - b.** Risk Committee
 - c.** Policy and Rules Committee
 - d.** People Committee
 - e.** Oversight Committee
 - f.** Regulatory Decisions Committee
 - g.** any other committees established by the Board from time to time
- 10.19** Appointment or removal of the Company Secretary.
- 10.20** Approve the appointment or removal of employer-appointed directors, and of the Chair, of FCA Pension Plan Trustee Limited.
- 10.21** Appointment or removal of the Chair of the following bodies with Treasury approval where required by statute:
- a.** the Payment Systems Regulator, and its Managing Director
 - b.** the Financial Ombudsman Service
 - c.** the FCA Practitioner Panel

- d.** the Financial Services Compensation Scheme and its Chief Executive, in agreement with the Prudential Regulation Authority
 - e.** the Smaller Business Practitioner Panel
 - f.** the Markets Practitioner Panel
 - g.** the Consumer Panel
 - h.** the Listing Authority Advisory Panel
 - i.** the Cost Benefit Analysis Panel
- 10.22** Approval of a public statement describing eligible practitioners which the Smaller Business Practitioner Panel will represent.
- 10.23** Appointment of a 'Chief Prosecutor' and a 'Deputy Prosecutor' to exercise the FCA's powers under the Serious Organised Crime and Police Act 2005 (s.71(6a)) as amended by the Coroners and Justice Act 2009.

Remuneration

- 10.24** Approval of significant changes to the rules of the FCA Pension Plan subject to the powers vested in the principal employer under the Trust Deed and Rules.

Corporate governance matters

- 10.25** Establishing Board committees and approval of their terms of reference.
- 10.26** Undertaking a formal and rigorous annual review of the Board's own performance, that of its committees and individual directors.
- 10.27** Keeping under review the FCA's overall corporate governance arrangements.
- 10.28** Authorising conflicts of interest where permitted by the FCA's articles of association.

Policies

- 10.29** Approval of the following policies:
- a.** Communications Policy

Other

- 10.30** Approval to commence civil litigation or, except for individual enforcement cases, defend or settle any litigation or legal dispute, where it is reasonably anticipated that the FCA may be exposed to a liability of more than £5 million with respect to its external legal costs, any other party's costs or damages.

- 10.31** Following consultation with the FCA Chair, consideration of any novel or contentious matters which, in the opinion of a member of the Board or the Executive Committee, it would be appropriate for the Board to consider.
- 10.32** Agreement to investigate and report on possible regulatory failure under s. 73 Financial Services Act 2012.
- 10.33** Agreement on how to carry out an investigation directed by the Treasury under s. 77 and s. 78 Financial Services Act 2012.
- 10.34** Provisional decision to make a market investigation reference to the Competition and Markets Authority under section 131 Enterprise Act 2002, to consult on that decision, and to decide to make such a reference.
- 10.35** Determination of the general policy and principles by reference to which the FCA performs a particular legislative function.
- 10.36** Exercising its functions under sections 9(2) and 10 of the Financial Guidance and Claims Act 2018 (approving and reviewing standards set by Money and Pensions Service).
- 10.37** Approval of this schedule of matters reserved to the Board for decision.

Chapter 11

Terms of Reference of Board Committees

11.1 General Provisions Applicable to all Board Committees (except the Regulatory Decisions Committee)

Reporting Responsibilities

1. The committee chairs shall report to the Board on the committees' proceedings after each meeting.
2. The committees shall make whatever recommendations to the Board they deem appropriate on any area within their remit.

Secretary

3. The Company Secretary, or their nominee, shall act as the Secretary of the committees.

Membership and committee proceedings

4. Members of the committees shall be appointed by the Board in consultation with the relevant committee chair.
5. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committees, and any other person required to attend, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to committee members and, as appropriate, other attendees at the same time.
6. The notices, agendas and supporting papers shall normally be distributed in electronic form.
7. Meetings may be held by telephone or other electronic means that allows those participating in the meeting to communicate with each other.
8. Committee members should declare any interests in the matters to be discussed in accordance with the codes of conduct for staff and non-executive directors.
9. The committees may hold private sessions as the chair of each committee deems appropriate.

Minutes of meetings

- 10.** The Secretary shall minute the proceedings and resolutions of all meetings of the committees, including recording the names of those present and in attendance.
- 11.** The Secretary shall ascertain, at the beginning of each meeting, the existence of any interests in the matters to be discussed, advise on how to manage them and minute the outcome accordingly.
- 12.** Minutes of meetings shall be agreed with the chair of the relevant committee and presented for approval at a subsequent committee meeting. Minutes will be made available to all members of the Board and other individuals unless it would be inappropriate to do so in the opinion of the chair of the relevant committee.

Annual Public Meeting

- 13.** The chair of each committee should attend the Annual Public Meeting prepared to respond to any questions on the activities of their committee.

Authority

- 14.** The committees are authorised:
 - a.** to seek any information they require from any employee of the FCA to perform their duties
 - b.** to obtain, at the FCA's expense, outside legal or other professional advice on any matter within their terms of reference
 - c.** to request the attendance of any FCA employee at a meeting of a committee as and when required
 - d.** to publish in the Annual Report details of any issues that cannot be resolved between the committee and the Board

Other matters

- 15.** The committees shall:
 - a.** have access to sufficient resources to carry out their duties, including access to a secretariat for help as required
 - b.** be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members
 - c.** give due consideration to relevant laws and regulations, the provisions of the Code and any other applicable rules, as appropriate
 - d.** oversee any investigation of activities that are within their terms of reference
 - e.** work and liaise as necessary with all other Board committees
 - f.** arrange for periodic review of the committee's own performance and at least once a year review their own terms of reference and recommend any changes considered necessary to the Board

11.2 Terms of Reference of the Audit Committee

Purpose

1. The Audit Committee (the Committee) is responsible for supporting the Board in meeting its responsibilities for an effective system of internal control and financial reporting.
2. The Committee shall monitor and assess the role and effectiveness of Internal Audit in the overall context of the FCA's risk management system and the work of Risk and Compliance Oversight, Finance and the external auditor, the National Audit Office (NAO), in ensuring that the FCA achieves its statutory and operational objectives. This includes the effectiveness of the mitigation of harm and the safety and soundness of its own operations.
3. The Committee oversees the operation of the FCA's Complaints Scheme on behalf of the Board.
4. The Committee also provides assurance on any additional matters as instructed or delegated by the Board.

Duties

Financial reporting

5. The Committee shall monitor the integrity of the FCA's financial statements, including its annual report and any other public statements relating to financial performance. It shall review and report to the Board on significant financial reporting matters, issues and judgements which those statements contain, having regard to the matters communicated to it by the NAO.
6. In particular, the Committee shall review and challenge where necessary:
 - a. the application of significant accounting policies and any changes to them
 - b. the methods used to account for significant or unusual transactions where different approaches are possible
 - c. whether the FCA has adopted appropriate accounting standards and made appropriate estimates and judgements, taking into account the NAO's views on the financial statements
 - d. all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit or to internal controls
 - e. the position in relation to the funding and investment strategy of the closed defined benefit section of the Pension Plan
 - f. the consideration of any material environmental risks in the development of the organisation's financial statements

7. Where the Committee is not satisfied with any aspect of the proposed financial reporting, it shall report its views to the Board.

Narrative reporting

8. The Committee shall review the content of the FCA's Annual Report and Accounts and advise the Board on whether they:
 - a. taken as a whole, are fair, balanced and understandable
 - b. provide the information necessary to assess the organisation's performance, business model and strategy
 - c. inform the Board's statement in the Annual Report on these matters set out in a) and b) above as required under the UK Corporate Governance Code (the Code).
 - d. The Committee's review should include reviewing reporting on climate-related issues relevant to the FCA and PSR as corporate entities.

Internal controls

9. The Committee shall:
 - a. Ensure that a sound system of internal controls is in place, including:
 - i. receiving reports on, reviewing and maintaining the effectiveness of, the FCA's internal control processes to support its strategy and objectives
 - ii. undertaking an annual assessment of these processes
 - iii. approving an appropriate statement on material controls in the Annual Report
 - iv. approving procedures for the prevention of fraud and bribery
 - b. Approve the following policies:
 - i. Health and Safety Policy
 - ii. Finance Policy
 - iii. Procurement Policy
 - c. Keep under review the FCA's internal financial controls systems that identify, assess, manage and monitor financial risks
 - d. Keep under review the FCA's governance and control framework in relation to the origination, procurement and implementation of contracts including, but not limited to, business technology contracts, ensuring environmental risks are considered as part of the framework
 - e. Keep under review other internal control systems
 - f. review and approve the statements to be included in the Annual Report concerning internal control, risk management and the viability statement

Compliance, whistleblowing and fraud

- 10.** The Committee shall oversee and review:
- a.** the adequacy, effectiveness and security of the FCA's internal whistleblowing arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action
 - b.** the procedures for detecting fraud
 - c.** the systems and controls for the prevention of bribery and corruption and receive reports on non-compliance
 - d.** regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the FCA's anti-money laundering systems and controls
 - e.** compliance activities and receive assurance of compliance against internal policies and standards

Internal Audit

- 11.** The Committee shall:
- a.** approve the appointment or termination of appointment of the Chief Internal Auditor
 - b.** review and approve the role and mandate of Internal Audit ensuring it is appropriate for the needs of the FCA
 - c.** in close liaison with the Risk Committee, review and approve the internal audit universe and internal audit plan (including review of its annual budget) to ensure it is aligned to the key risks of the FCA. This will be done with reference to the annual risk and compliance operational and assurance plan.
 - d.** receive regular reports on work carried out by Internal Audit
 - e.** review the findings, recommendations and any other relevant reports of Internal Audit
 - f.** review and monitor the executive's responsiveness to the findings and recommendations of Internal Audit
- 12.** The Committee shall ensure that:
- a.** Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate
 - b.** there is open communication between different functions of the FCA and that Internal Audit evaluates the effectiveness of these functions as part of its internal audit plan
 - c.** Internal Audit is equipped to perform in line with appropriate professional standards for internal auditors
 - d.** the Chief Internal Auditor has direct access to the Chair of the FCA and the Chair of the Committee, providing independence from the executive and accountability to the Boards and the Committee

- 13.** The Committee shall carry out an annual assessment of the effectiveness of Internal Audit and as part of this assessment shall:
- a.** meet the Chief Internal Auditor, without the presence of the executive, to discuss the effectiveness of the Internal Audit function
 - b.** review and assess progress to complete the annual internal audit work plan
 - c.** determine whether it is satisfied that the quality, experience and expertise of Internal Audit is appropriate for the organisation
 - d.** review the actions taken by the executive to implement the recommendations of Internal Audit and to support the effective working of the Internal Audit function
 - e.** consider whether an independent, third-party review of processes is appropriate

External Audit

- 14.** The Committee shall oversee the relationship with the NAO, including approving:
- a.** the NAO's remuneration, including both fees for audit and non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted
 - b.** the NAO's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
- 15.** The Committee shall:
- a.** agree with the Board a policy on the employment of former employees of the NAO, taking into account the Ethical Standard² and legal requirements, and monitor the application of this policy
 - b.** monitor the NAO's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including guidance on the rotation of audit partner and staff
 - c.** monitor the level of fees paid to the NAO in the context of the relevant legal, professional and regulatory requirements, guidance and the Ethical Standard
- 16.** The Committee shall:
- a.** evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the NAO's communications with the Committee
 - b.** meet regularly with the NAO (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, without the executive being present, to discuss the NAO's remit and any issues arising from the audit
 - c.** discuss with the NAO the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team
 - d.** review the findings of the audit with the NAO. This shall include, but not be limited to:
 - i.** a discussion of any major issues which arose during the audit

2 https://media.frc.org.uk/documents/Revised_Ethical_Standard_2019.pdf

- ii. the NAO's explanation of how the risks to the audit quality were addressed
- iii. key accounting and audit judgments
- iv. the NAO's view of their interactions with senior executives
- v. levels of errors identified during the audit

17. The Committee shall:

- a.** review any representation letters requested by the NAO before they are signed on behalf of the FCA
- b.** review the management letter and the executive's response to the NAO's findings and recommendations
- c.** review any other relevant reports by the NAO

18. The Committee shall review the effectiveness of the external audit process, including an assessment of the quality of the audit, the handling of key judgements by the NAO and the NAO's response to questions from the Committee.

19. The Committee shall seek to ensure co-ordination of the external audit with the activities of Internal Audit.

Complaints Scheme

20. The Committee shall:

- a.** monitor the effectiveness of the investigation of complaints against the FCA
- b.** review the outcomes of upheld complaints and ensure the executive has appropriate processes in place to address the root causes of such complaints
- c.** monitor the resources available to the complaints investigation function to ensure that they are capable of investigating complaints effectively

Chair's expenses

21. The Committee shall review the expenses incurred by the Chair of the FCA, by an annual summary, showing separately travel, entertainment and any other significant items of expense.

Regulatory Reviews

22. The Committee shall:

- a.** oversee the work done by Risk and Compliance Oversight (R&CO) in relation to reviews of the FCA's performance, including reviews required under sections 73 and 77 of the Financial Services Act 2012
- b.** oversee the processes for taking decisions to commission independent reviewers to conduct reviews and for identifying potential independent reviewers for appointment by the Board
- c.** make recommendations to the Board about these matters as and when appropriate.

- 23.** For these purposes, the Committee will receive reports from R&CO at least every 6 months.

Potential implications of legal action

- 24.** The Committee shall make recommendations to the Board on the potential implications of any legal action taken against the FCA, based on litigation reports received from the Legal Division and Human Resources Division.

Reporting responsibilities

- 25.** The Committee shall prepare a report on its activities to be included in the Annual Report. The report should include:
- a.** an explanation of how the Committee has addressed the effectiveness of the external audit process
 - b.** the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the NAO
 - c.** all other information requirements set out in the Code

Membership and Committee Proceedings

- 26.** The Committee shall comprise at least 3 members, one of whom must be the Chair of the Risk Committee, and one must be a PSR Non-Executive Director.
- 27.** All members of the Committee shall be independent non-executive directors of either the FCA or the PSR, at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing. A majority of members will be FCA Non-Executive Directors.
- 28.** The Chair of the FCA shall not be a member of the Committee.
- 29.** Only members of the Committee have the right to attend committee meetings. However, the following individuals will be invited to attend meetings on a regular basis as required:
- a.** Chief Executive
 - b.** Chief Operating Officer
 - c.** Chief Internal Auditor
 - d.** Executive Director of Risk & Compliance Oversight
 - e.** Director of Finance
 - f.** one or more representatives of the NAO

30. Other individuals, including the Chairs of the FCA and PSR, may be invited by the Committee Chair to attend all or part of any meeting.
31. In the absence of the Committee Chair at any meeting, the remaining members present shall elect one of themselves to chair the meeting.
32. The Committee Chair shall meet with other Board Committee Chairs to ensure appropriate co-ordination and prioritisation of meeting agendas.

Quorum

33. The quorum necessary for the transaction of business shall be 2 members.

Frequency of meetings

34. The Committee shall meet at least 4 times a year at appropriate times in the financial reporting and audit cycle and otherwise as required.

Notice and proceedings of meetings

35. Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of the following:
 - a. the audit lead at the NAO
 - b. the Chief Internal Auditor
 - c. the Chief Operating Officer
 - d. the Director of Finance
 - e. the Executive Director of Risk and Compliance

Other matters

36. The Committee shall be responsible for co-ordination of the internal and external auditors.

11.3 Terms of Reference of the Risk Committee

Purpose

1. The Risk Committee (the Committee) is responsible for:
 - a. supporting the Board in meeting its responsibilities for an effective system of risk management and appropriate assurance of the adequacy and effectiveness of the FCA's system of regulation (including policy, authorisation, supervision, enforcement, competition and associated support function activities)
 - b. ensuring that the FCA achieves its statutory and operational objectives, including the effectiveness of the mitigation of harm and the safety and soundness of its own operations
2. The Committee oversees the Regulatory Decisions Committee (RDC) on behalf of the Board.
3. The Committee also provides assurance on any additional matters as instructed or delegated by the Board.

Duties

Risk management oversight

4. The Committee is responsible for:
 - a. Ensuring an effective system of assurance and risk management including maintaining a risk management system which both identifies and, where feasible, seeks to mitigate risks to the FCA's statutory objectives
 - b. undertaking an annual assessment of the effectiveness of the risk management system
 - c. approving an appropriate statement on risk management in the annual report
5. The Committee shall approve the FCA's:
 - a. risk strategy, with reference to, among other things, first line performance reporting, enterprise-wide risk management reporting, and views of external stakeholders
 - b. risk tolerance framework
6. The Committee shall:
 - a. review the adequacy and effectiveness of the FCA's risk management framework and processes that identify, assess, manage, mitigate, monitor and report risks, including long-term emerging risks
 - b. review the adequacy and effectiveness, including timeliness and maturity, of the FCA's first- and second-line assurance frameworks and associated outputs

- c. receive regular reports on the FCA's risk profile, covering strategic, risk of harm, conduct, financial, operational, execution and public confidence risks and seek assurance that the FCA's risk profile is consistent with ensuring the delivery of its objectives, including any recommendations from HM Government to the FCA about aspects of the government's economic policy to which the FCA should have regard
 - d. seek assurance from the executive that the emerging and principal risks have been appropriately identified, assessed, prioritised and have appropriate mitigations in place to ensure they are managed within the approved risk tolerance
 - e. monitor the organisation's non-financial policies, including in relation to environmental, social and governance issues
 - f. approve the Operational Resilience Policy
7. The Committee shall review and approve the role and mandate of the risk management and compliance functions ensuring they are appropriate for the needs of the organisation. This includes reviewing and approving the annual risk and compliance operational and assurance plan. This will be done with reference to the annual internal audit plan.
8. The Committee shall:
 - a. review the findings, recommendations and any other relevant reports of the Executive Director of Risk and Compliance Oversight
 - b. review and monitor the executive's responsiveness to the findings and recommendations of the Executive Director of Risk and Compliance Oversight
 - c. approve the Risk Management Framework
 - d. review and assess progress to complete the annual risk and compliance operational and assurance plan
 - e. ensure the Executive Director of Risk and Compliance Oversight has direct access to the Chair of the FCA and the Chair of the Committee, providing independence from the executive and accountability to the Board and the Committee
9. The Committee may refer any areas of material concern to the Board or relevant Board committee for their consideration.
10. The Committee shall receive reports from the Chair of the RDC on the operation, resourcing and effectiveness of the RDC.

Reporting responsibilities

11. The Committee shall prepare a report on its activities and the FCA's risk management and strategy to be included in the Annual Report of the FCA.

Membership and Committee Proceedings

12. The Committee shall comprise at least 3 members, one of whom must be the Chair of the Audit Committee.

- 13.** All members of the Committee shall be independent non-executive directors.
- 14.** The Chair of the FCA shall not ordinarily be a member of the Committee.
- 15.** Only members of the Committee have the right to attend committee meetings. However, the following individuals will be invited to attend meetings on a regular basis:
 - a.** the Chief Executive
 - b.** the Chief Operating Officer
 - c.** the Executive Director of Risk & Compliance Oversight
 - d.** the Chief Internal Auditor
- 16.** Other individuals, including the Chair of the FCA, may be invited by the Committee Chair to attend all or part of any meeting.
- 17.** In the absence of the Committee Chair at any meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 18.** The Committee Chair shall meet at least quarterly with the Chair of the Audit Committee and the FCA Chair to ensure appropriate co-ordination and prioritisation of meeting agendas.

Quorum

- 19.** The quorum necessary for the transaction of business shall be 2 members.

Frequency of meetings

- 20.** The Committee shall meet at least 4 times a year at appropriate times to coincide with key dates in the risk review process and otherwise as required.

Notice and proceedings of meetings

- 21.** Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of the Executive Director of Risk & Compliance Oversight if they consider it necessary.

11.4 Terms of Reference of the Policy and Rules Committee

Purpose

1. The Policy and Rules Committee is responsible for supporting the Board in meeting its responsibilities when exercising its legislative functions to make policy and rules under FSMA (2000) Sch 1ZA Part 1 Paragraph 8 and in determining the general policy and principles by reference to which the FCA performs a particular legislative function.
2. The Committee scrutinises proposals for new policy and rules and changes to existing policy and rules.
3. It makes recommendations to the Board regarding the adoption of policy and rules, considering their likely effectiveness in furthering the FCA's statutory and operational objectives and, where relevant, other "have-regards", taking into account the principles of good regulation.

Duties

4. The Committee shall:
 - a. agree to the touchpoints of proposed rule-making and policy changes with the Committee, Board, Statutory Panels and other non-executive Committees as necessary, considering the likely complexity and impact of proposed policy changes
 - b. scrutinise and challenge proposals to introduce and change policy and rules, considering:
 - i. their likely effectiveness in furthering the FCA's strategic and operational objectives, including, but not limited to, their ability to be effectively supervised by the FCA
 - ii. the ability for their impact in furthering the FCA's strategic and operational objectives to be evaluated
 - iii. the coherence of the overall policy framework
 - iv. the costs and benefits of policy changes, including their implications for FCA resources
 - v. any other factors the Committee deems necessary.
 - c. be consulted at a sufficiently early stage to be able to scrutinise proposals and make recommendations prior to consultation in order to ensure an efficient use of resources in the formulation of policy proposals
 - d. oversee formal evaluations of policy initiatives and make recommendations where relevant

Reporting responsibilities

5. The Committee shall prepare a report on its activities to be included in the Annual Report.

Membership and Committee Proceedings

6. The Committee shall comprise at least 3 members, one of whom will be the FCA's Chief Executive or their delegate.
7. All other members of the Committee shall be independent non-executive directors of the FCA.
8. Only members of the Committee have the right to attend committee meetings. However, the following individuals will be invited to attend meetings on a regular basis:
 - a. Chair of the FCA (if not a member of the committee)
 - b. The General Counsel
 - c. The Chair of the Executive Regulation and Policy Committee
 - d. The Chief Economist
9. Other individuals may be invited by the Committee Chair to attend all or part of any meeting.
10. In the absence of the Committee Chair at any meeting, the remaining members present shall elect one of themselves to chair the meeting.

Quorum

11. The quorum necessary for the transaction of business shall be 2 members.

Frequency of meetings

12. The Committee shall meet sufficiently frequently to carry out its role and purpose.

Notice and proceedings of meetings

13. Meetings of the Committee shall be called by the Secretary at the request of any of its members.

11.5 Terms of Reference of the People Committee

Purpose

1. The role of the People Committee (the Committee) is to approve, oversee and review the FCA's people strategy.
2. The FCA's people strategy is its strategy for ensuring that the FCA has a workforce which can sustainably deliver the FCA's Strategy in line with the FCA's values and within its budget. It comprises its culture, employment framework, its approach to appointments and organisational leadership, and its processes for engagement with its workforce.

Duties

General

3. The Committee shall carry out the duties below:
 - a. review the FCA's culture, and make sure that it is embedded in the FCA's people strategy.
 - b. review and approve the FCA's employment framework, which includes policies on all aspects of remuneration, performance and reward, pension offering, and its application of the Senior Managers and Certification Regime (SMCR) to itself. The framework includes, but is not limited to, broader people-related matters such as organisational capability, diversity, inclusion and talent. The objectives of the employment framework and associated policies are:
 - i. to ensure that the FCA's employees are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the FCA; and
 - ii. to ensure the FCA has at all times a workforce capable of carrying out its Strategic Plan and Business Plan within an appropriate level of risk.
 - c. monitor the application of the employment framework to ensure it is transparent, fair and consistent across the FCA.
 - d. monitor risks to the FCA arising out of the application of the employment framework and communicate these to the Risk Committee as appropriate
 - e. oversee and review the FCA's policies and processes for engagement with its workforce.

Remuneration Policies and Practices

4. The Committee shall:

- a. Approve the remuneration policy of the organisation.
- b. Determine the remuneration policy for members of the Executive Committee in accordance with the Principles and Provisions of the UK Corporate Governance Code (the Code).
- c. Agree the design of remuneration policies and practices to support strategy and promote long-term sustainable success:
 - i. with Executive remuneration aligned to the FCA's purpose and values, clearly linked to the successful delivery of the FCA's long-term strategy, and
 - ii. that enables the use of discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances.
- d. When determining the remuneration policy and practices for members of the Executive Committee, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- e. In determining the remuneration policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate management of the quality required to run the FCA successfully without paying more than is necessary, having regard to views of stakeholders.
- f. Make recommendations to the Board on the appropriate level of remuneration for Non-Executive Directors.

Executive remuneration

5. In relation to Executive remuneration, the Committee shall:
- a. have delegated responsibility for determining, in consultation with the Chair or Chief Executive as appropriate, the remuneration of each member of the Executive Committee, including any pay in relation to performance against objectives and any benefits and pensions rights
 - b. review the Executive's recommendations for the annual budget for remuneration
 - c. approve compensation packages or arrangements following the severance of the service contract applicable to a member of the Executive Committee and any other executive falling within the scope of the Senior Managers Regime in any amount

Other Bodies Remuneration

6. In relation to the remuneration arrangements of other bodies, the Committee shall approve at least annually:
- a. the remuneration of the board directors of the following bodies:
 - i. Financial Ombudsman Service (on the recommendation of Oversight Committee).
 - ii. Financial Services Compensation Scheme (on the recommendation of Oversight Committee).

- iii. PSR (save in respect of any FCA employee serving as a member of the PSR Board). The remuneration of the Managing Director of the PSR is to be approved by the Committee following advice as to their performance given by the PSR Chair.
- b.** the remuneration of the Chairs and members of the following bodies:
 - i. the Consumer Panel
 - ii. the Smaller Business Practitioner Panel
 - iii. the Regulatory Decisions Committee
 - iv. the Competition Decisions Panel
 - v. the Cost Benefit Analysis Panel
 - vi. FCA Pension Plan Trustee Ltd

Succession Planning, Performance Evaluation and Appointments

- 7.** The Committee shall:
 - a.** Ensure, in consultation with the Treasury, that appropriate succession arrangements are in place for the roles of Chair and Chief Executive.
 - b.** Ensure that a formal evaluation of the performance of the FCA Chair is conducted annually by the Senior Independent Director and that a formal evaluation of the performance of each of the non-executive directors is conducted annually by the FCA Chair.
 - c.** Attend to any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the company subject to the provisions of the law and their service contract.
 - d.** Make recommendations with regard to the structure, size and composition of the Board and its committees, taking account of the skills, knowledge, experience and diversity of the Board, its committees, and the organisation's strategy. This should include ensuring sufficient capability to consider recommendations from HM Government to the FCA about aspects of the government's economic policy to which the FCA should have regard.
- 8.** The Committee shall make recommendations to the Chair in relation to the appointment of the Senior Independent Director and the responsibilities of the role.

Executive Leadership

- 9.** In relation to the executive leadership of the organisation, the Committee shall:
 - a.** keep under review the leadership needs of the FCA with a view to ensuring the continued ability of the organisation to execute its strategy and achieve its objectives
 - b.** ensure, in consultation with the Chief Executive, that appropriate succession arrangements are in place for members of the Executive Committee
 - c.** approve the appointment of members of the Executive Committee

- d. set the performance objectives of the Chief Executive, ensuring there is appropriate consideration of environmental outcomes and metrics as part of this process

Other Bodies Appointments

- 10. Except for appointments requiring the approval of HM Treasury the Committee shall approve the appointment or removal of the members of the following bodies:
 - a. the FCA Practitioner Panel
 - b. the Smaller Business Practitioner Panel
 - c. the Markets Practitioner Panel
 - d. the Consumer Panel
 - e. the Listing Authority Advisory Panel
 - f. the Cost Benefit Analysis Panel
 - g. the Competition Decisions Committee Panel
 - h. the board of the Financial Ombudsman Service
 - i. in agreement with the Prudential Regulation Authority, the board of the Financial Services Compensation Scheme
 - j. the board of the Payment Systems Regulator.

Other Policies

- 11. Approval of the following policies:
 - a. Conflict of Interests Policy for FCA staff, non-executive directors, members of the Regulatory Decisions Committee and Competition Decisions Panel and members of panels appointed by the Board or one of its committees
 - b. Corporate Responsibility Policy
 - c. the FCA's redundancy policy
 - d. the policy covering the involvement of the Chair and Chief Executive in relation to the treatment of fees arising from any outside appointment offered to them
 - e. the policy for authorising claims for expenses for the Chief Executive and the Chair
- 12. The Committee shall do such other things as it considers necessary for its role and such other matters as the Board may require in relation to its role, from time to time.

Reporting responsibilities

- 13. The Committee shall produce a report to be included in the FCA's Annual Report including:
 - a. a description of its work in line with the requirements of the Code
 - b. a report on the directors' remuneration policy and practices
 - c. the process used in relation to appointments, its approach to succession planning and how both support the development of a diverse pipeline

- d. how board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has influenced or will influence board composition
- e. the policy on diversity and inclusion, its objectives and linkage to the FCA's strategy, how it has been implemented and progress on achieving the objectives
- f. information on appropriate diversity characteristics of those in the senior management team and otherwise within the FCA
- g. identifying any external remuneration consultancy that has been engaged, alongside a statement about any other connection it has with the FCA or individual directors

Membership and committee proceedings

- 14. The Committee shall comprise at least four members, all of whom shall be independent non-Executive Directors and may include the Chair (if independent).
- 15. Only members of the Committee have the right to attend committee meetings. The Chair of the PSR, if not a member, shall also be invited to attend meetings as an observer. Other individuals such as the Chief Executive, the Chief People Officer and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- 16. In the absence of the Chair of the Committee the members present shall elect one of themselves to chair the meeting.

Quorum

- 17. The quorum necessary for the transaction of the business of the Committee shall be three members.

Frequency of meetings

- 18. The Committee shall meet at least 4 times a year and otherwise as required.

Notice and proceedings of meetings

- 19. Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or the Chief People Officer.

11.6 Terms of Reference of the Oversight Committee

Purpose

1. The Oversight Committee (the Committee) provides support and advice to the Board on its relationships with the Financial Ombudsman Service (FOS), Financial Services Compensation Scheme (FSCS) and Payment Systems Regulator (PSR) in regard to the FCA's obligations in respect of each, including its statutory duties set out in the Financial Services and Markets Act (FSMA) and the Financial Services (Banking Reform) Act (FSBRA).
2. For the avoidance of doubt, the activities of the Oversight Committee do not affect the responsibilities of the Boards of the FOS, FSCS and PSR in relation to their respective organisations.

Duties

3. The principal duties of the Committee shall be to:
 - a. provide advice and support to the Board in relation to:
 - i. the FCA's duty to take such steps as are necessary to ensure that each of the FOS and FSCS are capable of exercising their functions under FSMA, and that the PSR is capable of exercising its functions under FSBRA
 - ii. in respect of the FOS, whether it meets – and continues to meet – the quality requirements in Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015/542
 - b. Approve:
 - i. the annual budget of the Financial Ombudsman Service
 - ii. the Financial Services Compensation Scheme's management expenses levy limit
 - iii. the annual budget of the Payment Systems Regulator
 - iv. the business plan of the Payment Systems Regulator
 - v. changes to the Articles of Association of the following bodies, as required by those Articles:
 - Financial Ombudsman Service
 - Financial Services Compensation Scheme
 - Payment Systems Regulator
4. The Committee's specific duties in respect of each of the FOS, FSCS and PSR respectively are listed below:

Financial Ombudsman Service

- a. Review and challenge the basis of preparation, underlying assumptions and predicted outcome of the Annual Budget of the FOS.
- b. Review the information the FOS must provide every two years under the Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015/542 (the 'Regulations') and decide whether the FOS still meets the requirements to be an ADR entity under the Regulations.
- c. Provide such other advice and support to the Board as may be required to assist it in satisfying its legal obligations, and exercising its powers, in relation to the FOS.

Financial Services Compensation Scheme

- a. Review and challenge the basis of the preparation, underlying assumptions and predicted outcomes of the management expenses budget of the FSCS.
- b. Provide such other advice and support to the FCA Board as may be required to assist it in satisfying its legal obligations, and exercising its powers, in relation to the FSCS.

Payment Systems Regulator

- a. Approval of:
 - i. the PSR's annual budget and annual plan and any variations to the budget or plan
 - ii. the PSR's annual report in relation to the discharge of its duties
- b. Provide such other advice and support to the Board as may be required to assist it in satisfying its legal obligations, and exercising its powers, in relation to the PSR.
- c. Advise the Board regarding the making of rules requiring participants in regulated payment systems to pay the FCA for relevant costs.

Reporting responsibilities

- 5. The Committee shall prepare a report on its activities to be included in the Annual Report.

Membership and Committee Proceedings

- 6. The Committee shall comprise at least four members, the majority of whom shall be members of the Board. The Chief Executive or their nominee shall be a member of the Committee.
- 7. Only members of the Committee have the right to attend committee meetings.
- 8. Other individuals may be invited by the committee Chair, to attend all or part of any meeting as and when appropriate.

9. In the absence of the Committee Chair the remaining members present shall elect one of themselves to chair the meeting.

Quorum

10. The quorum necessary for the transaction of business shall be two members.

Frequency of meetings

11. The Committee shall meet as regularly as required to discharge its duties.

Notice and proceedings of meetings

12. Meetings of the Committee shall be convened by the Secretary at the request of any of its members.

11.7 Terms of Reference of the Regulatory Decisions Committee

Background and purpose

1. The Regulatory Decisions Committee (RDC) is a committee of the FCA Board that exercises certain regulatory powers on behalf of the FCA, including in relation to the giving of warning notices and decision notices. Annexes 1 and 2 of Chapter 2 of the Decision Procedure and Penalties manual (DEPP) set out a list of actions that the FCA may take under the Financial Services and Markets Act 2000 (FSMA) and other legislation which require a statutory notice to be given and specify those for which the RDC is the relevant decision-maker.
2. The primary purpose of the RDC is to advance the fairness of the FCA's enforcement process by ensuring, in certain contested cases, separation between those who conduct investigations and those who decide whether a statutory notice should be given. To this end:
 - a. The RDC is separate from the FCA's executive management structure. It comprises a Chair appointed by the Board, who is an employee of the FCA, and other members appointed by the Board who are not employees of the FCA, including one or more Deputy Chairs
 - b. All members of the RDC are appointed for fixed periods. The Board may remove a member of the RDC, but only in the event of that member's misconduct or incapacity
 - c. The RDC has its own legal advisers and support staff (the Secretariat), who are separate from the FCA staff involved in conducting investigations and making recommendations to the RDC
 - d. The RDC is not involved in deciding which cases to investigate and only becomes involved in a case after the relevant division of the FCA has concluded that it is appropriate for the FCA to use certain regulatory powers against a firm or individual and makes a recommendation to the RDC.
3. The RDC is accountable to the Board, through the Risk Committee, in respect of its procedures, policies, operational arrangements and decisions generally, but this does not affect its independence in relation to its individual decisions.

Functions

4. The RDC's functions are:
 - a. To consider whether the material on which a recommendation is based is adequate to support it and whether the action recommended is appropriate in all the circumstances
 - b. To consider any representations made (whether written, oral or both) and any comments made by FCA staff or others in respect of those representations.

- c.** To decide whether to give statutory and other notices in cases which are described as within its scope by the Handbook or any regulatory guide, including in particular DEPP and the Enforcement Guide (EG), and the terms of any notice given
 - d.** To take any other decisions which are described as within its scope by the Handbook or any regulatory guide
 - e.** To take decisions associated with the matters which are within its scope.
- 5.** In addition, DEPP and EG provide that certain decisions will or may be taken by the RDC Chair or a Deputy Chair. Further, the RDC Chair or a Deputy Chair may, on behalf of the RDC, take the decisions associated with the matters which are within the RDC's scope.

Operation of the RDC

- 6.** The RDC will operate in accordance with chapter 3 of DEPP. In particular, DEPP 3.2 provides details in respect of the following matters:
 - a.** RDC meetings and composition of panels
 - b.** conflicts of interest
 - c.** the RDC's general procedure
 - d.** the RDC's procedure in relation to warning notices
 - e.** the RDC's procedure in relation to representations
 - f.** the RDC's procedure in relation to decision notices
- 7.** The RDC may determine its own procedures where they are not specified in DEPP.

Notice of meetings

- 8.** The Secretariat shall make the arrangements for each meeting, including confirming the availability of each relevant RDC member.

Records of decisions

- 9.** The Secretariat will make and retain appropriate records of the decisions taken by the RDC.

Reporting responsibilities

- 10.** The Chair of the RDC will report on a half-yearly basis to the Risk Committee and at least annually to the Board.

Resources

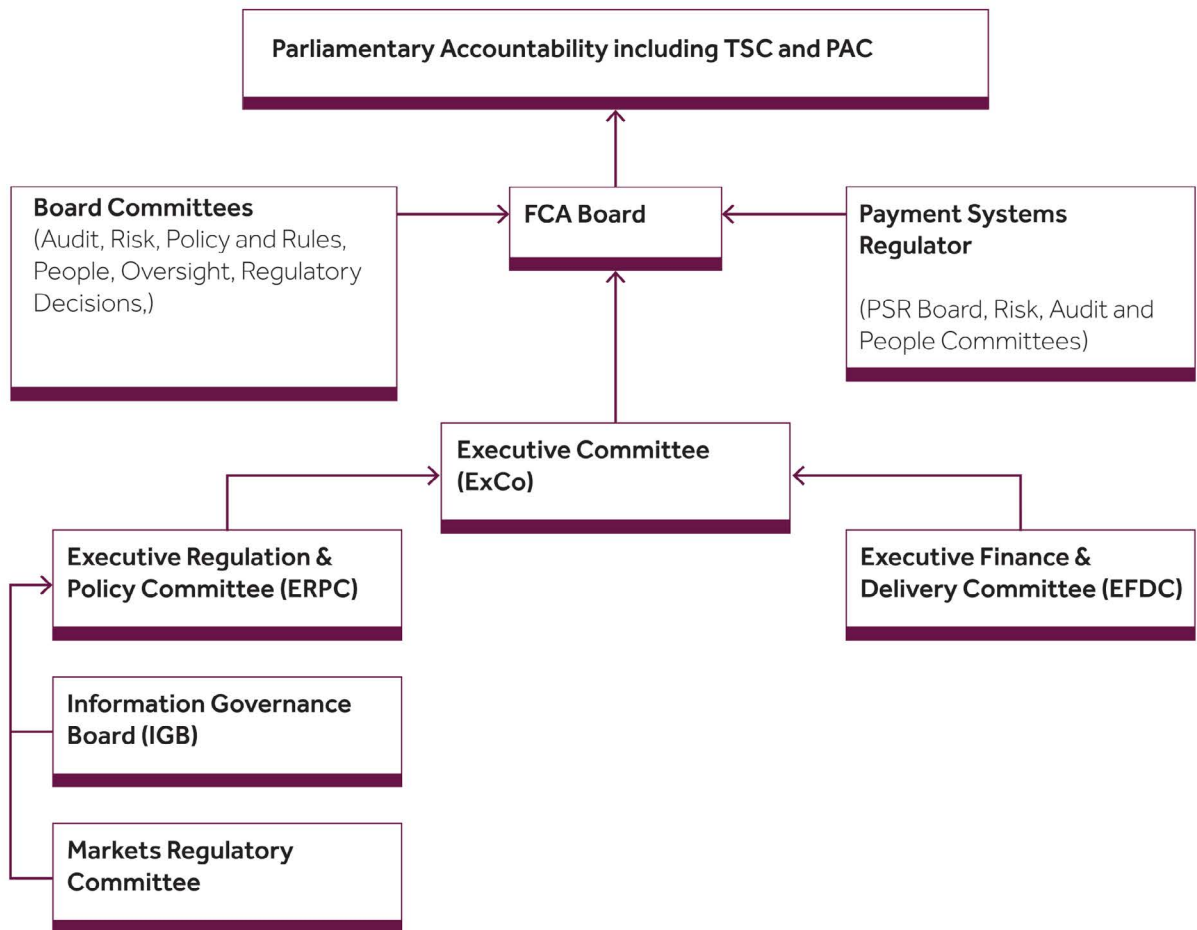
- 11.** The RDC shall have access to sufficient resources in order to carry out its duties, including, in particular, the resources of the Secretariat.
- 12.** The RDC may require any employee of the FCA to attend one or more of its meetings.

Review

- 13.** The RDC shall, at least once a year, review its own performance and terms of reference and recommend any changes it considers necessary to the Board for approval.
- 14.** The RDC shall, each year, produce an Annual Review, to be published alongside the FCA's Annual Report.

Chapter 12

Diagram of FCA Governance Structure



Chapter 13

The Financial Conduct Authority (FCA) Board Charter

The Purpose Of This Document

The purpose of this charter is to provide a framework for the Board to guide what it does and how it does it. Board members are individually and collectively responsible for abiding with the spirit of this charter. To ensure it remains relevant, the Board will review it every three years, or sooner if amendments become necessary.

Our Role

The role of the FCA Board is set out in detail within the main body of the Corporate Governance of the Financial Conduct Authority document. The Board has ultimate responsibility for ensuring that we engage and motivate our people, and manage our data, systems and processes so that we have the capacity and capability to prioritise activities effectively to fulfil our remit.

In practice we expect:

- A clear strategy, set by the Board and developed by the Executive covering the 'what', 'when' and 'how' to enable us to deliver our objectives for the financial services sector and enable reliable business planning.
- Our people to understand and operationalise our purpose, strategies and priorities.
- A clear risk management framework, appetite and agreed tolerance levels for business activity.
- Timely and clear information that enables the Board to hold the Executive to account, to consider the risks and opportunities of each decision it makes and evaluate the relative tensions/links between risks within the strategy.
- A robust audit function providing timely reports and follow up on outstanding issues.

The Kind Of Board We Aspire To Be

Each of us is fully committed to the FCA's purpose. We hold the conviction that, individually and collectively, we will contribute to the FCA as one of the world's most respected regulators.

We will maintain a strong relationship with the Executive, based on mutual trust and understanding. We will challenge them appropriately and respectfully and seek to

protect them from unfounded and distracting attack. We will support them and share our knowledge and experience, respecting the chain of command whilst keeping our ears to the ground..

We aspire to be a high performing Board and will continuously evaluate our performance and challenge ourselves to improve.

In practice we expect:

- A Board that takes pride in its diversity and supports people to be themselves at work, whether at the Board table, or in their respective workplaces, and does not compromise its integrity or independence.
- A Board that demonstrates the values of the FCA to:
 - deliver in the public interest,
 - act with integrity,
 - be ambitious,
 - work inclusively,
 - connect and deliver.
- A Board that models the behaviours we expect of others, always reflecting 'One FCA' with our stakeholders inside and outside the FCA.
- A Board that promotes the reputation of the FCA.
- Meetings with:
 - an atmosphere that is welcoming all,
 - high quality discussion and deliberation at the Board table, centred on our purpose,
 - Board members who listen attentively, question and debate respectfully, and participate actively in a disciplined way,
 - decisions made at pace that are consistent, in line with FCA objectives, and appropriately communicated.
- Board members who demonstrate collective responsibility, supporting decisions once they are made.
- Board members who learn from one another, from the Executive, from stakeholders and from engaging with a wide range of relevant intelligence.
- A Board that reviews its impact and performance regularly taking account of a wide range of views.

How We Organise Ourselves And Operate

We will be at our best and contribute most meaningfully when the Board and Committees run smoothly, and we have common standards of discipline. We seek a high level of confidence in the operations of the Executive team and the governance function to enable the effective and efficient running of the Board, Committees and other fora.

In practice we will need:

- Board and Committee agendas that enable focus on the right topics at the right level.
- Board members who prepare well, supported by timely and succinct papers that:
 - enable the Board to quickly understand the issues,
 - explain the Executive's perspective,
 - provide assurance that management is effective,
 - highlight what is needed from the Board.
- Disciplined and timely capture and follow up of Board and Committee action points.

Managing Relationships

The FCA manages relationships with a wide range of external stakeholders. As a Board we will involve ourselves appropriately in stakeholder engagement, employee engagement, and horizon scanning, drawing on our wider experience to identify emerging issues/areas of concern.

In practice we will be:

- Board members who understand the sensitivities of stakeholder management and make time to contribute individually and collectively.
- A Board that supports and challenges Executives in their stakeholder relationships and communications and understands the value and nuances of effective communication.

Chapter 14

FCA Articles of Association

The Companies Acts 1948 To 2006 Company Limited By Guarantee And Not Having A Share Capital Articles Of Association Of The Financial Conduct Authority^{3 4}

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³ These articles should be read in conjunction with schedule 1ZA to the Financial Services and Markets Act 2000 which governs the constitution of the Financial Conduct Authority.

⁴ With effect from 28 October 1997, pursuant to a special resolution passed on 20 October 1997, the name of the company was changed to The Financial Services Authority. With effect from 1 April 2013, pursuant to section 1A(1) of the Financial Services and Markets Act 2000 as inserted by section 6(1) of the Financial Services Act 2012, the name of the company was changed to The Financial Conduct Authority.

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Part 1

Introduction

1. Defined Terms

1.1 In these Articles, unless the context requires otherwise:

Abbreviation	Description
Act	means the Companies Acts as defined in section 2 of the Companies Act 2006, in so far as they apply to the Authority.
Address	means a physical address or, in relation to Electronic Form, any number of electronic mail address(es), which has been notified to the Secretary for the purpose of receiving and sending documents.
Appointed Director	means a Director appointed pursuant to Schedule 1ZA paragraph 2 sub-paragraph (2) FSMA
Authenticated Document	relates to the Directors' and/or Members' agreement to a resolution. Directors/Members can either sign a paper copy of the resolution or signify agreement to an electronic version. For the document to be valid it must originate from an Address agreed with the Authority.
Authority	means The Financial Conduct Authority.
Board	means the governing body of the Authority appointed pursuant to Schedule 1ZA, paragraph 2 of FSMA
Chair	the person who for the time being holds such office pursuant to Schedule 1ZA paragraph 2 sub-paragraph (2)(a) FSMA
Common Seal	means the common seal of the Authority.
Conflict	means a situation in which a Director has or can have a direct or indirect interest that conflicts or possibly may conflict, with the interests of the Authority.
Director	a person appointed to the Board pursuant to Schedule 1ZA paragraph 2 sub-paragraph (2) FSMA.
Document	includes, unless otherwise stated, any document sent or supplied in Electronic Form.

Abbreviation	Description
Electronic Form	has the meaning given in section 1168 of the Act.
Eligible Director	means a director who would be entitled to vote on the matter at a meeting of directors (but excluding in relation to the authorisation of a Conflict pursuant to Article 10, any director whose vote is not to be counted in respect of the particular matter).
Eligible Member	means a Member who would have been entitled to vote on the resolution on the circulation date of the resolution (as defined in section 289 of the Act).
FSMA	means the Financial Services and Markets Act 2000 including any statutory modification or re-enactment thereof for the time being in force.
Mutual Societies Seal	means the seal of the Authority used to register mutual societies, as specified in regulations made by the Treasury under the Friendly Societies Act 1974.
Present or Present in Person	means any Member or Director who is present in person or deemed to be present by virtue of some other form of communication, for example, conference telephone or video link or similar communications equipment whereby all persons participating in the meeting communicate with each other.
Secretary	means any person appointed to perform the duties of the Secretary of the Authority.
Secretary of State	means His Majesty's Secretary of State for Business, Innovation and Skills
Treasury	means His Majesty's Treasury
United Kingdom	means Great Britain and Northern Ireland
Writing	means the representation or reproduction of words, symbols or other information in a visible form by any method or combination or methods, whether sent or supplied in Electronic Form or otherwise.

Unless the context otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Act as in force on the date when these Articles become binding.

2. Objects

2.1 The Authority's objects are:

- a. to carry out any functions conferred on the Authority by or under any provision of any legislation, as amended from time to time, and to carry out such other functions or exercise such powers as, from time to time, may be carried out or exercisable by the Authority
- b. to carry out any other function or exercise any other power as may, in the Authority's view, assist or enable it to carry out the functions and powers referred to above or which the Authority considers incidental, desirable or expedient.

3. Powers

3.1 In pursuance of the objects set out in Article 2, the Authority has the power to:

- a. buy, lease or otherwise acquire and deal with any property real or personal and any rights or privileges of any kind over or in respect of any property real or personal and to improve, manage, develop, construct, repair, sell, lease, mortgage, charge, surrender or dispose of or otherwise deal with all or any part of such property and any and all rights of the Authority
- b. borrow and raise money in such manner as the Directors shall think fit and secure the repayment of any money borrowed, raised or owing by mortgage, charge, lien or other security on the Authority's property and assets
- c. invest and deal with the funds of the Authority not immediately required for its operations in or upon such investments, securities or property as may be thought fit
- d. subscribe for, take, buy or otherwise acquire, hold, sell, deal with and dispose of, place and underwrite shares, stocks, debentures, debenture stocks, bonds, obligations or securities issued or guaranteed by any government or authority in any part of the world
- e. lend and advance money or give credit on such terms as may seem expedient and with or without security, to enter into guarantees, contracts of indemnity and suretyships of all kinds to receive money on deposit or loan upon such terms as the Authority may approve and to secure or guarantee the payment of any sums of money or the performance of any obligation by any company, firm or person including any holding company or subsidiary
- f. lobby, advertise, publish, educate, examine, research and survey in respect of all matters of law, regulation, economics, accounting, governance, politics and/or other issues and to hold meetings, events and other procedures and co-operate with or assist any other body or organisation in each case in such way or by such means as may, in the opinion of the Directors, affect or advance the principal object in any way
- g. pay all or any expenses incurred in connection with the promotion, formation and incorporation of the Authority and to contract with any person, firm or company to pay the same
- h. enter into contracts to provide services to or on behalf of other bodies
- i. provide and assist in the provision of money, materials or other help

- j.** open and operate bank accounts and other facilities for banking and draw, accept, endorse, issue or execute promissory notes, bills of exchange, cheques and other instruments
- k.** incorporate subsidiary companies to carry on any activity
- l.** do all such other lawful things as are incidental or conducive to the pursuit or to the attainment of any of the object set out in Article 2.

4. Not for distribution

4.1 The income and property of the Authority shall be applied solely in promoting the objects of the Authority as set out in Article 2.

4.2 No dividends or bonus may be paid or capital otherwise returned to the Members, provided that nothing in these Articles shall prevent any payment in good faith by the Authority of:

- a.** reasonable and proper remuneration to any Member, Director, officer or servant of the Authority for any services rendered to the Authority
- b.** reasonable out-of-pocket expenses properly incurred by any Director.

5. Winding-up

5.1 On the winding-up or dissolution of the Authority, any assets or property that remains available to be distributed or paid to the Members shall not be paid or distributed to such Members but shall be transferred to another body (charitable or otherwise):

- a.** with objects similar to those of the Authority
- b.** which shall prohibit the distribution of its or their income to its or their members, such body to be determined by the Members at the time of winding-up or dissolution.

6. Liability of Members

6.1 The liability of each Member is limited to £1, being the amount that each Member undertakes to contribute to the assets of the Authority in the event of its being wound up while he is a Member or within one year after he ceases to be a Member, for

- a.** payment of the Authority's debts and liabilities contracted before he ceases to be a Member
- b.** payment of the costs, charges and expenses of the winding up
- c.** adjustment of the rights of the contributories among themselves.

Part 2

Directors and Secretary

7. Directors' terms of service

- 7.1** The terms of service of the Appointed Directors as determined by the Treasury and in the case of a Director appointed pursuant to Schedule 1ZA section 2 paragraph (2) (d) FSMA, in consultation with the Secretary of State, will be notified to the Appointed Directors by the Company Secretary.
- 7.2** Directors' remuneration shall accrue from day to day.
- 7.3** The Directors may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees or general meetings of the Authority or otherwise in connection with the discharge of their duties.

8. Directors' conflicts of interest

- 8.1** Subject to Schedule 1ZA section 6 FSMA, the Directors may, in accordance with the requirements set out in this Article, authorise any Conflict proposed to them by any Director which would, if not authorised, involve a Director (an Interested Director) breaching his duty under section 175 of the Act to avoid conflicts of interest.
- 8.2** Any authorisation under this Article 8 shall be effective only if:
- a.** the matter in question shall have been proposed by any Director for consideration in the same way that any other matter may be proposed to the Directors under the provisions of these Articles or in such other manner as the Directors may determine
 - b.** any requirement as to the quorum for consideration of the relevant matter is met without counting the Interested Director
 - c.** the matter was agreed to without the Interested Director voting or would have been agreed to if the Interested Director's vote had not been counted.
- 8.3** Any authorisation of a Conflict under this Article 8 may (whether at the time of giving the authorisation or subsequently):
- a.** extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised
 - b.** provide that the Interested Director be excluded from the receipt of documents and information and the participation in discussions (whether at meetings of the Directors or otherwise) related to the Conflict
 - c.** provide that the Interested Director shall or shall not be entitled to vote in respect of any future decision of the Directors in relation to any resolution related to the Conflict

- d. impose upon the Interested Director such other terms for the purposes of dealing with the Conflict as the Directors think fit
- e. provide that, where the Interested Director obtains, or has obtained (through his involvement in the Conflict and otherwise than through his position as a Director of the Authority) information that is confidential to a third party, he shall not be obliged to disclose that information to the Authority, or to use it in relation to the Authority's affairs where to do so would amount to a breach of that confidence
- f. permit the Interested Director to absent himself from the discussion of matters relating to the Conflict at any meeting of the Directors and be excused from reviewing papers prepared by, or for, the Directors to the extent they relate to such matters.

8.4 Where the Directors authorise a Conflict, the Interested Director shall be obliged to conduct himself in accordance with any terms and conditions imposed by the Directors in relation to the Conflict.

8.5 The Directors may revoke or vary such authorisation at any time, but this shall not affect anything done by the Interested Director prior to such revocation or variation in accordance with the terms of such authorisation.

8.6 A Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of being a Director), to account to the Authority for any remuneration, profit or other benefit which he derives from or in connection with a relationship involving a Conflict which has been authorised by the Directors in accordance with these Articles or by the Authority in general meeting (subject in each case to any terms, limits or conditions attaching to that authorisation) and no contract shall be liable to be avoided on such grounds.

8.7 Subject to sections 177(5) and 177(6) of the Act, a Director who is in any way, whether directly or indirectly, interested in a proposed transaction or arrangement with the Authority shall declare the nature and extent of his interest to the other Directors before the Authority enters into the transaction or arrangement in accordance with the Act.

8.8 Subject to sections 182(5) and 182(6) of the Act, a Director who is in any way, whether directly or indirectly, interested in a transaction or arrangement that has been entered into by the Authority shall declare the nature and extent of his interest to the other Directors as soon as is reasonably practicable in accordance with the Act, unless the interest has already been declared under Article 8.8.

8.9 Subject, where applicable, to any terms and conditions imposed by the Directors in accordance with Article 8.3(d), and provided he has declared the nature and extent of his interest in accordance with the requirements of the Act, a Director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Authority:

- a. may be a party to, or otherwise interested in, any transaction or arrangement with the Authority or in which the Authority is otherwise (directly or indirectly) interested
- b. shall, subject to any other relevant restriction at law or under these Articles, be entitled to vote, for the purposes of any proposed decision of the Directors (or

committee of Directors) in respect of such existing or proposed transaction or arrangement in which he is interested

- c. shall, subject to any other relevant restriction at law or under these Articles, be entitled to vote at a meeting of Directors (or of a committee of the Directors) or participate in any unanimous decision, in respect of such existing or proposed transaction or arrangement in which he is interested
- d. may act by himself or his firm in a professional capacity for the Authority (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director
- e. may be a Director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Authority is otherwise (directly or indirectly) interested
- f. shall not, save as he may otherwise agree, be accountable to the Authority for any benefit which he (or a person connected with him (as defined in section 252 of the Act)) derives from any such transaction or arrangement or from any such office or employment or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such remuneration or other benefit constitute a breach of his duty under section 176 of the Act.

8.10 For the purposes of this Article 8:

- a. a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified
- b. an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

Powers and duties of the Directors

9. Exercise of powers and validity of Directors' acts

9.1 Subject to the provisions of the Act, other applicable legislation, and these Articles the activities of the Authority shall be managed by the Directors who may exercise all powers of the Authority as they see fit. No alteration of these Articles shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made. Any defect in appointments shall not affect the validity of any act of the Board, of any member of the Board or of any committee of the Board or of the Authority itself.

9.2 All acts done by any meeting of the Directors or of any committee, or by any person acting as a Director, shall, notwithstanding that it be afterwards discovered that there was some defect in any appointment relevant thereto or that any person was disqualified from acting in any capacity, or had vacated office or was not entitled to vote,

shall be as valid as if all relevant appointments had been duly made and any such person was qualified and had continued as a Director and had been entitled to vote.

9.3 The Directors may act notwithstanding any vacancy in their body.

10. Delegation of function and powers

10.1 The Directors shall themselves perform any function and exercise any power of the Authority which is required by law to be performed or exercised by them. Where any function or power of the Authority is not required by law to be so performed or exercised, the Directors may delegate its performance or exercise to committees or sub-committees, consisting of such member or members (whether or not of their body) as they think fit or such persons as may be prescribed for the purpose, to any officer or servant of the Authority or to any other body or person who is able and willing to perform the function or exercise the power. Any committee or sub-committee so formed, and any other delegate, shall, in the discharge of the functions and in the exercise of the powers so delegated, comply with any written requirements that may be imposed, whether generally or specifically, by the Directors.

10.2 The Directors may revoke any delegation in whole or part or alter its terms and conditions at any time.

Decision making by Directors

11. Proceedings of Directors

11.1 The Directors may meet together for the despatch of business, adjourn, and otherwise regulate their meetings and proceedings, as they think fit.

12. Records of decisions to be kept

12.1 The Directors must ensure that the Authority keeps a record, in Writing, for at least ten years from the date of the decision recorded, of all resolutions, decisions and proceedings at all meetings of the Authority, and of the Directors, and of committees. Such record shall include the names of the persons present at each meeting.

13. Chair

13.1 The Chair shall preside as chair at every meeting of the Board. In the event that the Chair, or failing him a person nominated by him, is not present or is unwilling to act within fifteen minutes after the time appointed for the holding of the meeting, the Directors

present shall elect one of the non-executive Directors present to be chair of the meeting.

14. Unanimous decisions

- 14.1** A decision of the Directors is taken in accordance with this Article when all Eligible Directors indicate to each other by any means that they share a common view on a matter.
- 14.2** Such a decision may take the form of a resolution in writing, where each Eligible Director has signed one or more copies of it, or to which each Eligible Director has otherwise indicated agreement in writing.
- 14.3** A decision may not be taken in accordance with this Article if the Eligible Directors would not have formed a quorum at such a meeting.

15. Casting Vote

- 15.1** If the numbers of votes for and against a proposal are equal, the Chair or other Director chairing the meeting has a casting vote.
- 15.2** Article 15.1 shall not apply in respect of a particular meeting (or part of a meeting) if, in accordance with the Articles, the Chair or other Director is not an Eligible Director for the purposes of that meeting (or part of a meeting).

16. Calling a meeting of Directors

- 16.1** A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.
- 16.2** Notice of any Directors' meeting must indicate:
- a.** its proposed date and time
 - b.** where it is to take place
 - c.** if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 16.3** Notice of a Directors' meeting must be given to each Director but this notice need not be in writing.
- 16.4** It shall not be necessary to give notice of a meeting to a Director who is absent from the United Kingdom.

17. Quorum

- 17.1** The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be five Eligible Directors.
- 17.2** The quorum for meetings of committees of the Board may be fixed by the Directors, and unless so fixed shall be three Eligible Directors.

18. Participation and presence at meetings

- 18.1** Directors are deemed to be participating in any meeting of the Directors or any committee thereof as long as they are Present in Person.

19. Committee proceedings

- 19.1** Except where a chair is appointed, a committee may elect a chair of its meetings. If no such chair is appointed or elected, or if at any meeting the chair (or any deputy) is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chair of the meeting.
- 19.2** A committee may meet and adjourn as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the chair shall have a second or casting vote.

20. Directors' written resolutions

- 20.1** Any Director may propose a directors' written resolution.
- 20.2** The Secretary must propose a directors' written resolution if a Director so requests.
- 20.3** A directors' written resolution is proposed by giving notice of the proposed resolution to the Directors.
- 20.4** Notice of a proposed directors' written resolution must indicate:
- a.** the proposed resolution
 - b.** the time by which it is proposed that the Directors should adopt it.
- 20.5** To be valid, a proposed directors' written resolution must be given to all persons entitled to receive notice of a meeting of the Directors or a committee, either by means of oral communication (such as telephone) or in Writing to an agreed Address.
- 20.6** Any decision which a person giving notice of a proposed directors' written resolution takes regarding the process of adopting that resolution must be taken reasonably in good faith.

- 20.7** A proposed directors' written resolution is adopted when a response to the proposed written resolution by Authenticated Document which identifies the resolution to which it relates and signifies unambiguous agreement to the terms of the resolution has been received by the Secretary from Directors entitled to vote comprising a simple majority and constituting a quorum.
- 20.8** The written resolution shall be as valid and effectual as if it had been passed at a meeting of Directors or of a committee duly convened and held.
- 20.9** All written resolutions shall be ratified at the next meeting of the Directors where the decision and any comments will be formally recorded in the minutes.
- 20.10** In Articles 10 to 12, 14, 19 to 22 and 39 to 40, "committee" includes "sub-committee".

Secretary

21. Appointment and termination of the appointment of the Secretary

- 21.1** There shall be a Secretary who shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit; and any Secretary so appointed may be removed by the Board at a meeting of the Directors duly convened in accordance with these Articles and any such appointment may not be made or terminated by any committee of the Board. The Secretary may also be an executive officer or Director of the Authority.

22. Validity of acts done by one person acting as both Director and Secretary

- 22.1** A provision of the Act or these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

Part 3

Members

Becoming and ceasing to be a member

23. Number of members

23.1 The subscribers to the Memorandum of Association of the Authority and any person who becomes a Director shall be Members of the Authority. No other person may become a Member of the Authority.

23.2 Membership of the Authority shall not be transferable or transmissible.

24. Termination of Membership

24.1 A Member may terminate his membership of the Authority by depositing a written notice to such effect at its registered office.

24.2 A Member shall cease with immediate effect to be a Member of the Authority upon ceasing to be a Director thereof.

24.3 A person's membership terminates when that person dies.

General meetings

25. Convening a general meeting

25.1 The Directors may, whenever they think fit, convene a general meeting. If at any time there are not sufficient Members present and capable of acting to form a quorum, any Director may convene a general meeting in a similar manner as early as possible as that in which meetings may be convened by the Directors.

26. Participation and presence at general meetings

26.1 A Member is deemed to be participating in any general meeting of the Authority as long as they are Present in Person at such meeting.

27. Notice of general meetings

- 27.1** A general meeting of the Authority shall be called by 14 days' notice in accordance with the provisions of Article 39. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business and shall be given, in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Authority in general meeting, to such persons as are, under these Articles, entitled to receive such notices from the Authority, including the Directors, the Members and the auditors:
- 27.2** Provided that a meeting of the Authority shall, notwithstanding that it is called by shorter notice than that specified in this Article 27, be deemed to have been duly called if it is so agreed by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety percent of the total voting rights at that meeting of all the Members.
- 27.3** The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

28. Quorum at general meetings and adjournment

- 28.1** No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business; five members Present in Person shall be a quorum.
- 28.2** If within half an hour from the time appointed for the meeting a quorum is not Present, the meeting shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and at such other time and place as the Directors may determine. If at the continuation of the adjourned meeting a quorum is not Present within half an hour from the time appointed for the meeting the Member or Members Present shall be a quorum.
- 28.3** The chair of a general meeting at which a quorum is present may, with the consent of such meeting (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

29. Chair at general meetings

29.1 The Chair, failing whom a person nominated by the Chair, shall preside as chair at every general meeting of the Authority. If none of such persons are Present within fifteen minutes of the appointed time for the holding of the meeting or they are unwilling to act, the Directors present shall elect one of the Non-Executive Directors Present to be chair of the meeting.

30. Votes of members

30.1 Every Member shall have one vote. All votes shall be given personally or in accordance with Article 31.

31. Votes and polls at general meetings

31.1 At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

- a.** by the chair of the meeting, or
- b.** by at least two Members, or
- c.** by any Member or Members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.

31.2 Any member who is deemed Present shall have their vote counted by the chair of the meeting and added to the votes of those actually present at the meeting.

31.3 Unless a poll be so demanded, a declaration by the chair of the meeting that a resolution has on a show of hands been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the book containing the minutes of proceedings of the Authority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn with the consent of the Chair.

31.4 Except as provided in Article 31.6, if a poll is duly demanded it shall be taken in such manner as the chair of the meeting directs and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. Any Member Present shall be entitled to take part in any poll in such manner as the chair may direct.

31.5 In the case of an equality of votes, whether on a show of hands or on a poll, the chair of the meeting shall be entitled to a second or casting vote in addition to any other votes he is otherwise entitled to cast on that resolution.

31.6 A poll demanded on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chair of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

32. Company resolutions in writing

- 32.1** A written resolution may be passed to resolve any business which could have been passed by the Authority in a general meeting except for the removal of a Director before the end of their term of office.
- 32.2** The Secretary of the Authority must send the written resolution to every Eligible Member to the Address provided by the Member. The resolution must be accompanied by:
- a.** a statement informing the Member how to signify agreement to the resolution the date by which the resolution must be passed.
- 32.3** A Member signifies his agreement to the proposed written resolution when the Authority receives an Authenticated Document, identifying the resolution to which it relates and indicating unambiguous agreement to the resolution. To be valid the Authenticated Document must have been sent from the agreed Address.
- 32.4** A written resolution is deemed as passed when the required majority of Eligible Members have signified approval in Writing and shall be as valid and effective as if the same had been passed at a general meeting of the Authority duly convened and held.

Part 4

Administrative arrangements

33. Cheques, notes and receipts etc

- 33.1** All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Authority, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

34. Accounting records

- 34.1** The Directors shall cause accounting records to be kept in accordance with the Act.
- 34.2** The books of account shall be kept at the registered office of the Authority, or, subject to the Act, at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

35. Methods of communication to be used

- 35.1** Subject to the Articles, anything sent or supplied by or to the Authority under the Articles may be sent or supplied in any way in which the Act provides for Documents or information which are authorised or required by any provision of the Act to be sent or supplied by or to the Authority.
- 35.2** Subject to the Articles, any notice or Document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or Documents for the time being.
- 35.3** A Director may agree with the Authority that notices or Documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than that set out in these Articles.

36. Deemed Delivery of Documents

- 36.1** This Article applies to Directors and Members where the Authority has sent information to an Address.
- 36.2** Where notices, documents or information are sent by post to an Address in the United Kingdom, and the Authority is able to show that it was properly addressed, prepaid and

posted, it is deemed to have been received by the intended recipient 48 hours after it was posted.

36.3 Where notices, documents or information are sent or supplied in Electronic Form, and the Authority is able to show that it was properly addressed, it is deemed to have been received by the intended recipient 3 hours after it was sent.

36.4 Where notices, documents or information are sent or supplied by means of a website, secure portal, or through access to the Authority's systems it is deemed to have been received by the intended recipient:

- a. when the material was first made available on the website, secure portal, or Authority's system; or
- b. if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website, secure portal or Authority's system.

37. The Common Seal

37.1 The Directors shall provide for the safe custody of the Common Seal, which shall only be used by the authority of the Directors or of a committee authorised by the Directors. The Directors may determine who shall sign any instrument or class of instruments to which the Common Seal is or shall be affixed and unless otherwise so determined any such instrument or class of instruments shall be signed by a Director and shall be countersigned by the Secretary, or by a second Director.

38. The Mutual Societies Seal

38.1 The Directors shall provide for the safe custody of the Mutual Societies Seal, which shall only be used by the authority of the Directors or of a committee authorised by the Directors. The Directors may determine who shall sign any instrument to which the Mutual Societies Seal is affixed and unless otherwise so determined any such instrument shall be signed by a Director and shall be countersigned by the Secretary, or by a second Director.

39. Notices

39.1 Notice of general meetings given to or by any person pursuant to the Articles shall be in Writing.

39.2 Any notice given to or by any person pursuant to the Articles in Writing shall be to an Address for the time being notified for that purpose to the person giving the notice.

39.3 The Authority may give any notice to a Member either personally or by sending it by post in a prepaid envelope addressed to the member at his registered address or by leaving it at that address or by giving it in Electronic Form to an address for the time being notified to the Authority by the Member. A Member whose registered address is not

within the United Kingdom and who gives to the Authority an address within the United Kingdom at which notices may be given to him, or an address to which notices may be sent in Electronic Form, shall be entitled to have notices given to him at that address, but otherwise no such member shall be entitled to receive any notice from the Authority.

39.4 A Director or Member Present at any meeting of the Authority shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

40. Indemnity

40.1 Subject to Article 40.2, but without prejudice to any indemnity to which a relevant officer is otherwise entitled:

- a.** each relevant officer shall be indemnified out of the company's assets against all costs, charges, losses, expenses and liabilities incurred by him as a relevant officer in the actual or purported execution and/or discharge of his duties, or in relation to them including any liability incurred by him in defending any civil or criminal proceedings, in which judgment is given in his favour or in which he is acquitted or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the court grants him, in his capacity as a relevant officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the company's affairs; and
- b.** the Authority may provide any relevant officer with funds to meet expenditure incurred or to be incurred by him in connection with any proceedings or application referred to in article 40.1(a) and otherwise may take any action to enable any such relevant officer to avoid incurring such expenditure.

40.2 This article does not authorise any indemnity to the extent that such indemnity would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law and any such indemnity is limited accordingly.

40.3 The Directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant officer in respect of any relevant loss.

40.4 In this article:

- a.** a "relevant loss" means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the Authority or any pension fund of the Authority; and
- b.** a "relevant officer" means any current or former Director, Secretary or other officer of the Authority and such other persons as the Authority may from time to time determine.

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