

## Minutes

Meeting:	FCA Board	
Date of Meeting:	23 and 24 September 2015	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Andrew Bailey	Mick McAteer
	Catherine Bradley	Tracey McDermott
	Amanda Davidson	Jane Platt
	Amelia Fletcher	Sir Brian Pomeroy
	John Griffith-Jones (Chair)	Christopher Woolard
In attendance:	Set out in Annex A	

### Quorum and Conflicts

The Meeting noted that Mr Bailey and Ms Platt had given apologies for the first part of the meeting taking place on Wednesday 23 September. The meeting noted there was a quorum present and proceeded to business.

## 1 Specific items of business

### 1.1 House Views

The Board received the report on the second part of the house view in relation to Pensions and Retirement Income which focused on accumulation. The Board discussed the different aspects of the house view and the key risks identified including the following points:

- the identification of the different types of consumers most affected by this sector, the ways they engaged with it and the relative levels of investment;
- the key environmental factors affecting the area, including the changes in tax relief and the effect this might have on accumulation;
- the areas where the market was not working as well as it could;
- the alternatives to pension savings which might affect the level of consumers' engagement and contributions to retirement savings and have different amounts of risk or complexity;
- the extent to which consumers could assess value for money in the sector given the opaque transaction costs and pricing.

The Board agreed the risks identified and the proposed approach to interventions, noting that the cost of interventions had not yet been calculated nor considered in the context of prioritisation of all baseline risks from the other house view sectors. The Executive Committee would be reviewing the prioritisation of all sector baseline risks and would seek the Board's agreement to the overall Business Plan approach in November. The Board stressed the importance of identifying the root causes of risks and to choose interventions carefully to ensure the most efficient use of resources.

The Board agreed the current risks in the Consolidated Risk Manager should be reviewed to ensure that the new risks identified via the house views were incorporated and noted that when each house view was completed the fixed and flexible portfolio of firms would be reviewed to ensure it reflected the risks.

The Board noted that the house views would not be published in full due to the level of sensitive information they contained. The Business Plan would set out the key risks the FCA intended to address which would be informed by the house view assessments and prioritisation.

## 1.2 FCA remit

Mr Woolard briefed the Board on the discussions regarding the government's deregulation. The Board considered the issues in detail, noting the potential effect on the FCA's role as an independent regulator and asked Mr Woolard to keep the Board informed of developments.

The meeting adjourned. The meeting reconvened at 9.30am on 24 September 2015.

Ms Platt arrived at 9.30am.

## 2 Minutes and meetings

### 2.1 Minutes of the FCA Board meeting

The Board approved the minutes of the FCA Board meetings held on 16, 29 and 30 July 2015.

### 2.2 Minutes of the Audit Committee

The Board noted the draft minutes of the Audit Committee meeting held on 3 September 2015 and received an update from Sir Brian Pomeroy on the items discussed which included:

- an update on progress in completing the actions stemming from the Davis Report;
- a review of Internal Audit reports;
- the report from the Director of Risk and the assessments of risk from individual directors;
- an update on the completion of the financial services register; and
- a review of the IS sourcing programme which was referred back to the Executive Committee for further action.

### 2.3 Oral update from the MAS Oversight Committee meeting held on 23 September 2015

Mr Griffith-Jones updated the Board on the discussions at the Oversight Committee meeting, which included considering MAS's response to the recommendations of the Farnish review and an update to their revised strategy.

## 2.4 Matters arising

The Board noted the progress with the matters arising.

## 2.5 Monthly reports from the Independent Panels

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

- the comments from the consumer panel regarding consumers as co-regulators and the rating systems for firms; the Executive had discussed the preliminary work done around the consumer voice however noted that there were no plans to take this forward at present;
- the work the FCA was doing on access, including vulnerability and the house views;

Mr Bailey and Ms Fletcher joined the meeting at 10.10am.

- the comments from the Practitioner and Smaller Business Practitioner Panels regarding regulatory references, which had been considered by FEMR;
- the Small Business Practitioner Panel's comments on the review of the FSCS, the timing of which would be after the FCA had completed the FAMR review;
- the comments on General Insurance add on renewals; and
- the Markets Practitioner Panel's discussions regarding how firms were reliant on IT systems and middleware.

## 2.6 Operational Status update

The Board received a report from Ms McDermott. The Board noted Ms McDermott's key priorities, which included sustainable regulation, engagement with key stakeholders, FAMR and maintaining internal stability.

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

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

- the work the Authorisations Division was undertaking in relation to debt management companies;
- the continued focus on IT in firms;
- the communications to firms affected by changes to their fixed or flexible supervision status;
- firm specific issues in relation to s166 reports and management of conflicts of interest;
- the interim findings of the credit card market study would be published in November;
- the verdict of the Hayes case and how this might affect other LIBOR cases; and
- the Section 1K guidance would be published largely unchanged from that seen by the Board earlier in the year.

## 3.1 Financial Advice Market Review (FAMR) – Call for input

The Board received the report and noted the proposed content of the consultation document. The Board noted that the consultation was a joint consultation with the Treasury. Secretariat support for the review was being provided by the FCA.

The Board noted the plans to engage with various stakeholders and encouraged the Executive to consider the risks that might be associated with the potential outcomes of the review and whether there were opportunities to consider issues which overlapped with other work within the FCA. Members of the Board also suggested considering the relative costs of different stages in the distribution chain.

The timetable for the conclusion of the work was challenging as outcomes were expected to be ready in advance of the 2016 Budget.

The Board agreed to publish a call for input to inform the Review in early October 2015 and to delegate authority to Tracey McDermott to sign off the final publication.

## **4 Specific items of business**

### **4.1 Report from the PRA**

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

- a consultation paper related to the ring-fencing regime for major firms would be published in October;
- the discussions of the Financial Policy Committee which included buy-to-let arrangements; and
- the visit to China with colleagues from the FCA and the Treasury for the annual economic and financial dialogue.

### **4.2 Payment Protection Insurance – next steps**

Ms Davidson declared a potential conflict as Lifesearch Limited, an appointed representative of her previous employer, Baigrie Davies, offered insurance mediation services. The Board noted the conflict and authorised it under article 8.1.

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The Board received the report on the further work undertaken to enable the Board to consider whether further interventions may be appropriate in relation to the approach to PPI, including whether rules or guidance were required to deal with the impact of the Plevin decision on PPI complaints handling. In particular an external company had undertaken further consumer research and the Executive had sought external Counsel's views on the legal position in relation to the different options.

The Board considered the analysis and discussed in detail the options available, including consulting on imposing a deadline for consumers to make their complaints, carrying out a communications campaign or doing nothing.

The Board also considered the effect of the Supreme Court's decision in Plevin and whether or not to consult on rules and guidance in order to give firms a framework for dealing with PPI complaints in a fair and consistent manner.

The Board discussed the merits of the various options, the uncertainties and the legal risk involved in any interventions and the form of an announcement following the Board's decision. The Board was minded to consult on a deadline for consumers to make PPI

complaints and rules and guidance on handling PPI complaints in the light of the decision in Plevin on the basis set out in the Board paper. However, the Board asked the Executive for an updated paper including some further detail before taking the decision to do so.

#### 4.3 Strengthening the second line of defence

The Board received the recommendations from Oliver Wyman who had undertaken a review of the second line of defence. The Board noted that benchmarking had been carried out with other regulators and also against international best practice.

The Board noted the areas of current strength and the areas which required further development. The Board considered the recommendations to strengthen the second line of defence.

The Board agreed that it was very important for there to be a common view and definition of risk. In parallel with the recommendations the Board noted that the governance for considering the measurement of risk would be developed alongside the further enhancement of the governance of the executive committees.

The Board noted the recommendations would be taken forward by Ms Frohn who had started to consider the way the first line was being managed. The Board agreed to the publication of the formal assurance letter, once received, in accordance with the FCA's response to the Treasury Committee's report.

#### 4.4 Review of the FCA's pension and retirement rules

The Board received the report and noted that the Executive had carried out a thorough review of the rules following recent pension reforms. A number of changes were proposed in order to ensure the rules would continue to be effective in light of the changes. There were also various areas in the paper which were highlighted for further discussion and possible further evaluation.

The Board discussed default funds for pensions investments given the different options at retirement. It noted that providers need to be more engaged with the needs of customers and deal with them as individuals. It also noted that the Executive would consider whether the projections regime should be reviewed.

The Board agreed the publication of a consultation paper setting out the proposals on some of the key policy issues and inviting discussion on others.

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

#### 5.1 Rules & Guidance to be determined

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

#### 5.2 Decisions of the Board

The Board noted the approval of the FCA Individual Accountability (Solvency II and Consequentials) Instrument outside of the Board meeting on 11 August 2015;

The Board approved:

- the appointment of the Chair of the Audit Committee as the whistleblowers' champion, and the delegation of authority to the whistleblowers' champion to oversee any appropriate changes to the FCA's whistleblowing arrangements to ensure they are in line with the standards which have been applied to firms;

- the re-appointment of Mark Ibbotson as a member of the FCA Markets Practitioner Panel for a three year term from 1 October 2015 to 30 September 2018;
- the appointment of Duncan Ford as a member of the FCA Markets Practitioner Panel for a three year term from 1 October 2015 to 30 September 2018;
- the appointment of Bernard Mensah as a member of the FCA Markets Practitioner Panel for a three year term from 1 October 2015 to 30 September 2018;
- the appointment of Richard Haas as Deputy Chair of the Smaller Business Practitioner Panel for 18 months from 1 October 2015 to 31 March 2017;
- the appointments of Jennifer Genevieve, Sharon Collard and Dominic Lindley as members of the Consumer Panel for three year terms from 1 October 2015 to 30 September 2018; and
- increases in the fees payable to Consumer Panel members Caroline Barr and Mark Chidley to reflect their increasing time commitment;
- the reappointment of Keith Matthews as an Employer Appointed Director of the FCA Pension Plan Trustee Company Limited for a three year term from 1 October 2015 to 30 September 2018; and
- the update to the finance policy to move to the use of the core operating entity's credit rating instead of the parent company; and permit the FCA to deposit penalties greater than or equal to £50m in the FCA's Bank of England penalties account.

## **6 Papers for noting**

### 6.1 Forward agenda

The Board noted the forward agenda.

### 6.2 Draft Agenda for the strategy day

The Board noted the Draft Agenda for the strategy day

## **7 Any other business**

There was none

## **8 HBOS Review Update**

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

The Board received an update from Mr Pomeroy, noting that Mr Woolard would be responsible for co-ordinating the Executive Committee actions required in relation to the report.

Claire Strong  
Deputy Company Secretary

## **ANNEX A: Attendees**

Sean Martin	General Counsel
Simon Pearce	Company Secretary
Claire Strong	Deputy Company Secretary
Simon Cooper	Oliver Wyman (for item 4.3)
Margaret Craig	Head of Department, Pension Policy (for item 4.4)
Nausicaa Delfas	Director, Specialist Supervision Division (for item 4.2)
Simone Ferreira	Head of Department, Event Supervision (for item 4.2)
Jo Hill	Director, Strategy & Competition – Markets Intel & Data Analysis (for item 1.1)
Barbara Frohn	Director, Risk & Compliance Oversight (for item 4.3)
David Geale	Director, Policy Director's Office (for item 1.1, 4.4 and 5.1)
Clive Gordon	Head of Department, Retail Investments (for item 1.1)
Nicholas Holloway	Manager, GCD Investment, Insurance and Redress (for item 4.2)
Peter Lukacs	Manager, Chief Economist Department – Cross cutting (for item 4.2)
Richard Monks	Acting Head of Department, Prudential Protection Governance & Investments (for item 4.2 and 5.1)
Christopher Preston	Manager, Complex Events 2 (for item 4.2)
Lisa Quest	Oliver Wyman (for item 4.3)
Alex Roy	Manager, Pensions Decumulation (for item 4.4)
Ed Smith	Head of Department, Banking, Lending & Distribution (for item 3.1)
Emma Smithies-Barnett	Manager, Risk & Compliance Oversight Framework (for item 4.3)
Richard Sutcliffe	Head of Department, Risk & Compliance Oversight (for item 4.3)
Gareth Thomas	Manager, Strategy & Competition (for item 3.1)
Andrew Whyte	Director, Strategy & Competition - Communications (for item 4.2)

Relevant associates and technical specialists also attended the meeting.

## **ANNEX B: Resolution**

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

Fees (Alternative Dispute Resolution Competent Authority) (Financial Ombudsman Service) Instrument 2015 (FCA 2015/44)

Consumer Rights Act Instrument 2015 (FCA 2015/45)

Accountability and Whistleblowing Instrument 2015 (FCA 2015/46)

Conduct of Business (Optional Additional Products) Instrument 2015 (FCA 2015/47)

Individual Accountability (Enforcement) Instrument 2015 (FCA 2015/48)

Consumer Credit (Amendment No 2) Instrument 2015 (FOS 2015/9)

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

Consumer Credit (Amendment No 2) Instrument 2015 (FOS 2015/9)