



Financial Reporting Council

**Minutes of a meeting of the Board of Directors of the Company
held on 4 October 2011 at the Royal Horseguards, 2 Whitehall Court SW1**

PRESENT:	Baroness Hogg	Chair
	Glen Moreno	Deputy Chair (By telephone)
	Stephen Haddrill	Director & Chief Executive
	Peter Chambers	Non-executive Director
	Elizabeth Corley	Non-executive Director
	Nick Land	Non-executive Director
	Rudy Markham	Non-executive Director
	Sir Mike Rake	Non-executive Director
	Sir Steve Robson	Non-executive Director
	Lindsay Tomlinson	Non-executive Director
	Richard Fleck	Chair APB
	John Kellas	Interim Chair POB
	Bill Knight	Chair FRRP
	Roger Marshall	Interim Chair ASB
	Jim Sutcliffe	Chair BAS
	Timothy Walker	Chair AADB
IN ATTENDANCE:	Anne McArthur	Secretary
	Paul George	Director of Audit
	Marek Grabowski	Executive Director APB
	Graham Clarke	Finance Director (Item 6)
	Jocelyn Brown	Corporate Governance Adviser (Item 7)

The Chairman noted that this would be the last meeting attended by Mr Tomlinson. On behalf of the Board and personally, she thanked Mr Tomlinson for his contribution to the FRC, noting in particular his important contribution to the Stewardship Code.

1 MINUTES

- 1.1 The Board approved the minutes of the meeting held on 14 July 2011 for publication subject to minor amendments.

Matters arising

- 1.2 There were no matters arising.

Action points

- 1.3 The Board noted the action points.



2 CHIEF EXECUTIVE'S REPORT

2.1 Mr Haddrill introduced his report.

2.2 Discussion included the following reports, points and observations:

- On the Vickers review, it was noted that if the proposals were taken up leading to separate boards within the banks to deal with "safe" business then there needed to be clarity in relation to the governance issues and lines of responsibility. This should be emphasised to the HMT;
- On the EC's proposals on audit, Mr Haddrill reported that much effort was being put into liaising with others around Europe including MEPs;
- On Actuarial Matters and TM1 the Board noted the considerations of and the conclusions reached by the BAS during its meeting in September. The Board confirmed that it was content with the TM1 now proposed by the BAS save that the drafting of C.2 should be reviewed for clarity;
- The Board noted that BIS had indicated that they would be writing to the FRC in relation to the application of the statutory exemption to TM1 and issued guidance that the TM1 should not be issued until the BIS letter had been received. If there was any delay in the receipt of the letter then the FRC should write to BIS and notify the Board.

2.3 The Board noted the Chief Executive's report and the project plan.

3 FRC REFORM

3.1 Mr Haddrill introduced the paper and reported that it was anticipated that the consultation document would be published on or around 13 October following clearance of the Impact Assessment by the Regulatory Policy Committee which had deemed the proposals deregulatory.

3.2 The Board considered the paper and noted that whilst the FRC and BIS were consulting on the proposals it would be important to ensure business as usual whilst preparing the ground for any transition following the consultation response analysis. With this in mind, it was content for shadow conduct and codes and standards committees to begin meeting in order to discuss how the appointed committees might operate in April 2012 if the proposals are welcomed.

4 NON AUDIT SERVICES

4.1 Mr Fleck introduced the paper noting that it took into account the EC proposals on the regulation of audit and assumed implementation of some of the proposals.

4.2 The Board approved the approach set out in the paper subject to tightening up the drafting of the proposals and noted that the APB would develop a reviewed ES5 and table the draft at a future Board meeting.

5 THE SHARMAN INQUIRY

5.1 Mr Marshall introduced the paper detailing the preliminary findings and recommendations.



5.2 The Board welcomed the general tenor of the recommendations, noting that they were consistent with the conclusions of the Effective Company Stewardship and Board and Risk projects, subject to the following observations:

- Whilst more systematic analysis of failure should be supported in the future, the discussions which had led to this inquiry were clear that the inquiry should be forward looking;
- There was some concern about drawing out too far into the future the directors' horizon for considering risks even in relation to solvency;
- Caution should be exercised in relation to any advice on emphasising the reflection of prudence in the assessment – there would be concern if the suggestion was that directors should draw up an alternative balance sheet.

6 PLAN 2012/13 – STRATEGIC PRIORITIES AND BUDGET SHAPE

6.1 The Board considered and approved the proposed approach to planning and budgeting for 2012/13. In particular, the Board agreed that the first draft budget should be prepared with a view to reducing total expenditure in 2012.

7 CORPORATE GOVERNANCE COMMITTEE

7.1 Mr Moreno reported to the Board on the activities of the Committee and proposed amendments to the UK Corporate Governance Code drawing attention to two issues: the timing and cycle of changes to the Code and the proposed amendments on diversity.

7.2 The Board approved the amendments proposed and agreed that changes to the Code should be applied to financial years beginning on or after 1 October 2012 together with any other proposed changes on which the FRC would be consulting in early 2012.

7.3 The Board agreed that the decisions should be announced on a date to be agreed by the Chairman and Mr Haddrill.

7.4 The Board noted the minutes of the Committee meeting on 7 September 2011.

8 REMUNERATION COMMITTEE

8.1 Mr Chambers reported that much progress had been made by the executive on achieving a more robust process for the salary review and bonus proposals for staff and senior staff following some hiccoughs last year. In addition, a more detailed salary review was underway which would provide the Committee with comparator information at the time of its forthcoming decisions.

8.2 Mr Chambers also reported that the Committee had considered the remuneration of Board and OB members and that proposals would be put to the Board in due course.

8.3 The Board noted the report of the Chair of the Committee and the minutes of the meeting on 14 July 2011.

9 OB PRESENTATIONS – APB AND POB



9.1 Mr Fleck and Mr Kellas gave presentations on the work of the APB and the POB. Discussion following the latter included the suggestion that AIU reports could be made more helpful to audit committee chairs and that efforts should be made to include them in the monitoring and reporting process.

9.2 The Board noted the presentations given by Mr Fleck and Mr Kellas.

10 OUTLINE BOARD CALENDAR 2011/12

10.1 The Board agreed that the performance evaluations of the operating bodies should proceed as scheduled. If the reforms due to be consulted on proceeded then the evaluations would inform the transition process.

10.2 The Board noted the Outline Board Calendar 2011/12.

11 ANY OTHER BUSINESS

11.1 The Board confirmed its approval of the reappointment of Mr Knight as Chair of the FRRP and as a Director of the FRC for the period from 1 September 2011 to 31 March 2012.

11.2 The Board resolved that a banking relationship will be maintained with National Westminster Bank Plc (the Bank) in accordance with this Mandate and that:

- the individuals identified as Authorised Signatories may, in accordance with the Signing Rules:
 - sign cheques and give instructions for Standing Orders, Direct Debits, electronic payments, banker's drafts and other payments on the Accounts even if it causes an Account to be overdrawn or exceed any limit
 - sign, accept or endorse bills of exchange
 - request and give counter-indemnities for the issue of letters of credit or Guarantees (including bonds, indemnities and undertakings)
- Authorised Signatories identified in the Signing Rules for unlimited amounts may, in accordance with the Signing Rules:
 - sign facility agreements for overdrafts or the issue of letters of credit or Guarantees
 - sign agreements for electronic products, including payment systems, and appoint or remove administrators and operators of those electronic products. The Company authorises the administrators and operators to exercise the powers detailed in the terms of each electronic product. These powers may be extensive and include the power to make payments and access information on behalf of the Company, and in the case of administrators, the power to appoint and remove other administrators (with the same powers) and operators
- any Authorised Signatory may give other instructions or requests for information to the Bank in relation to the Accounts; opening accounts with



the same Signing Rules and Authorised Signatories; closing accounts; or other banking services or products

- the Bank may accept instructions that do not have an original written signature provided the Bank is satisfied that the instruction is genuine and subject to any other agreement the Bank may require for those instructions
- this Mandate will continue until the Company give the Bank a replacement mandate or the Company passes a resolution changing the Signing Rules and/or adding or removing an Authorised Signatory by completing and returning the Change of Signing Authority form in which case this Mandate will continue as amended.

12 NEXT MEETING

Tuesday, 6 December 2011 at 8.30 a.m.