



Financial Reporting Council

Summary minutes of a meeting of the Board of Directors of the Company
held on 7 October 2008 at 71 -91 Aldwych, London, WC2B 4HN

PRESENT:	Sir Christopher Hogg	Chair
	Baroness Sarah Hogg	Deputy Chair
	Paul Boyle	Director & Chief Executive (for Items 1-7)
	Eric Anstee	Non-executive Director
	Peter Chambers	Non-executive Director
	Rudy Markham	Non-executive Director
	Sir John Sunderland	Non-executive Director
	Lindsay Tomlinson	Non-executive Director
	Richard Fleck	Chair APB (for Items 1-7)
	Bill Knight	Chair FRRP (for Items 1-7)
	Ian Mackintosh	Chair ASB (for Items 1-7)
	Dame Barbara Mills	Chair POB (for Items 1-7)
	Paul Seymour	Chair BAS (for Items 1-7)
	Timothy Walker	Chair AADB (for Items 1-7)
IN ATTENDANCE:	John Alty	Director General, Fair Markets Group, Department for Business, Enterprise and Regulatory Reform (BERR) (for Item 1)
	Geoff Dart	Director, Corporate Law and Governance and Better Regulation, BERR (for Item 1)
	Sir John Bourn	former Chair POB (for Items 1-7)
	Ian Wright	Director of Corporate Reporting (for Items 4.3-5.1)
	Stephen Heathcote	Director of Resources & Planning (for Items 5.2-5.3)
	Anne McArthur	Secretary
	Roger Nicklen	Note Taker (for Items 1-7)

Apologies for absence were received from Sir Michael Rake and Sir Steve Robson.

The Chair welcomed John Alty and Geoff Dart from BERR.

The Chair welcomed Dame Barbara Mills, POB Chair, to her first Board meeting and informed the Board that he had invited Sir John Bourn to attend so that he could present the POB report that had been prepared while he was still POB Chair.

1 RELATIONSHIP BETWEEN FRC AND BERR

1.1 The Board was addressed on the importance of a good working relationship between BERR and the FRC and on BERR's perceptions of the FRC's role. BERR looked to the FRC as an effective regulator which used a risk-based



approach and promoted confidence. The government needs to be confident that the FRC is an organisation which understands the market and is able to explain to government what is going on and what is needed to be done. The biggest risk currently being faced was that of short-term solutions to current problems that would cause longer-term damage. The FRC needed to be able to engage in the policy debate and advise BERR and other organs of government dispassionately and from a well-evidenced position on what would and would not work.

- 1.2 In a discussion of the relationship between the FRC and BERR the main matters covered were:
 - a. The value BERR attached to the FRC's new governance arrangements providing a collective governing body that was not representative of particular interests.
 - b. The need for the FRC and BERR to be alive to constituents' concerns and open to their views. The former Council had provided a particular way of engaging with the FRC, which some constituents missed, but there were other ways of ensuring dialogue.
 - c. The problems of anticipating what might be over the horizon and the need to identify and prioritise the key issues to which BERR and the FRC should give most attention.
- 1.3 A number of matters in relation to the current turmoil in financial markets were also discussed, including:
 - a. Keeping in sight the importance of promoting the UK as a good place to do business. The UK had benefitted from not having over-reacted to Enron. The UK now needed to be more effective in getting its message across within the EU.
 - b. The current FRC involvement with BERR in developing the case for working through the International Accounting Standards Board (IASB) to develop a solution to the accounting standards issues related to current market conditions that would secure a level playing field with the United States.
 - c. Transparency was seen as part of the solution to current problems but if the government's view on the attractions of transparency was likely to change, BERR's 'no surprises' philosophy should apply both ways.
 - d. The FRC was not currently being asked to do anything in response to current conditions beyond that which it was already doing but decisions were being taken (for example in relation to the banking and finance sectors) which might, further down the line, have implications for the FRC.
- 1.4 The Chair thanked Mr Alty and Mr Dart for their part in developing the good relationship between the FRC and BERR and for their attendance at the Board meeting.



2 MINUTES

- 2.1 The Board approved the summary minutes of the meeting held on 17 July 2008 for publication.

3 DRAFT MINUTES OF THE EXECUTIVE COMMITTEE MEETING HELD ON 16 SEPTEMBER 2008

- 3.1 The Board noted the draft minutes of the Executive Committee meeting held on 16 September 2008.

4 INTRODUCTORY REMARKS

- 4.1 The Board was informed that the Secretary had drawn up a Code of Conduct for the FRC that would be sent for comment to Board members.
- 4.2 The Board approved the arrangements for the conduct of the Board evaluation exercise.

Current events

- 4.3 The Board discussed a number of the issues for the FRC arising from current market conditions and noted, with approval, the actions being taken to support the development of solutions that would preserve a level playing field in relation to accounting standards.

5 CHIEF EXECUTIVE'S REPORT TO THE DIRECTORS

Draft FRC statement on corporate reporting risks for 2008 year ends

- 5.1 The Board approved the intention to provide updated guidance for auditors and audit committees on corporate reporting risks in good time for 2008 year ends.

Draft updated regulatory strategy and three year plan

- 5.2 The Board gave preliminary consideration to the development of the FRC's Regulatory Strategy and Plan and agreed that it should be based on careful containment of costs, while also recognising that exceptional circumstances might require an exceptional response.

Future funding of the FRC

- 5.3 The Board reviewed stakeholder feedback on the FRC's consultation on future funding and approved the basis for a response to that feedback and the timetable for implementation of the new arrangements.

Revised FRC Guidance on Audit Committees

- 5.4 The Board approved the publication of revised Guidance on Audit Committees (formerly known as the Smith Guidance) incorporating the new guidance on the use of firms from more than one audit network.

Report on FRC activities

- 5.5 The Board considered a report from the Chief Executive on FRC activities and briefly discussed:



- a. the arguments for and against establishing a formal stakeholder group as a medium for informal consultations on FRC proposals;
- b. progress in establishing the position of the Securities and Exchange Commission (SEC) in the United States on Auditor Liability Limitation Agreements; and
- c. the forthcoming rent review on Aldwych House.

Audit Market Choice project: effectiveness and public progress report

- 5.6 The Board noted a report on the steps being taken to review the effectiveness of the Audit Market Choice project and to prepare a public report.

6 REPORTS FROM OPERATING BODY CHAIRS

- 6.1 The Board noted and discussed reports from the chairs of the Accounting Standards Board, the Auditing Practices Board, the Financial Reporting Review Panel, the Accountancy and Actuarial Discipline Board, the Professional Oversight Board, the Board for Actuarial Standards and the Committee on Corporate Governance.

7 OTHER BUSINESS

- 7.1 Board members were briefed on the discussions in the Treasury/FSA review into capital raising and rights issues and were invited to submit views.
- 7.2 The Chair, marking Sir John Bourn's last attendance at the Board, expressed on behalf of the Board, appreciation for Sir John's wise and skilful leadership of the POB and contribution to the work of the FRC over a number of years.
- 7.3 The Board delegated authority for the approval of the accounts of AADB Ltd to the FRC Chair and Chief Executive.
- 7.4 The Board confirmed its approval following the previous Board meeting of the increase in the Chair's fees to £150,000.

8 REVIEW OF THE AUDITING PRACTICES BOARD REMIT AND CHAIRMANSHIP

- 8.1 The executive Directors withdrew from the meeting and the chair passed to the Deputy Chair. The non executive Directors noted the recommendations made by the Chair in his paper in relation to the Chair of the APB and took note of the briefing papers in relation to the APB's remit and future role. In view of the recommendations of the Chair and the non executive Directors' own experience of Mr Fleck gained over a period of one year, the non executive Directors confirmed Mr Fleck's appointment as Chair of the APB and appointed him an executive Director of the FRC until 1 April 2010.
- 8.2 Mr Fleck rejoined the meeting and the Deputy Chair confirmed the decision of the non executive Directors.

NEXT MEETING

Tuesday, 9 December 2008 at 9.30 a.m.