

## Financial Reporting Council

Minutes of a meeting of the Board of Directors of the Company  
held on 7 February 2012 at Aldwych House, 71-91 Aldwych, London WC2B 4HN

PRESENT:	Baroness Hogg	Chair
	Glen Moreno	Deputy Chair
	Stephen Haddrill	Director & Chief Executive
	Peter Chambers	Non-executive Director
	Elizabeth Corley	Non-executive Director
	Nick Land	Non-executive Director
	Sir Steve Robson	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
	David Andrews	Policy & Planning (Items 3 and 5)
	Chris Hodge	Head of Corporate Governance (Item 6)
	Peter Montagnon	Senior Investment Adviser (Item 6)

Apologies were received from Rudy Markham.

### 1 MINUTES

1.1 The Board approved the minutes of the meeting held on 6 December 2011 for publication.

*Matters arising*

1.2 There were no matters arising.

*Action points*

1.3 The Board noted that TM1 had been issued in December following correspondence with the DWP. DWP had undertaken to seek the views of external counsel but to date had not done so and the Chairman had now written to DWP again and stressed that the FRC would consider whether to continue maintaining TM1.

1.4 The Board noted the action points.

### 2 CHIEF EXECUTIVE'S REPORT

2.1 Mr Haddrill introduced his report.

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2.2 Discussion included the following reports, points and observations:

- The first meeting with the FPC had taken place and had been very useful;
- In Europe the FRC was now well placed, being represented on two Commission and one Council led working groups. The FRC had also devised an extensive program of meetings with MEPs;
- On Andy Haldane's recent speech and accounting treatments for banks, there had been much misreporting of the content of the speech which had not proposed a completely different set of standards for banks. Mr Marshall would be arranging a meeting with Mr Haldane;
- The FRC did not monitor the actuarial standards it promulgates. One of the difficulties in doing so was that much of the work to which TASs applied was not done by actuaries. The POB had been pushing the Actuarial Profession to start regulating firms (rather than just individuals) with such regulation being overseen by the POB. These were issues that could be considered within a review of the implementation of the Morris recommendations. A paper should be tabled looking at the various options for monitoring compliance with actuarial standards. In particular it would be useful to discuss with the FSA the various risk areas and to establish which regulator was doing what in order to give a holistic view in the paper;
- The request by the Competition Commission for information from the POB was noted and it was agreed that the request should be complied with subject to taking any necessary steps to protect the information from further unauthorised disclosure;
- On AADB sanctions, a draft consultation paper would be circulated to the Board;
- The staff away day on reform had provided a positive contribution on how to make the FRC succeed, in some ways irrespective of the reform project. The SMT had adopted about 6 ideas from the day to take forward;
- The staff survey would be run during February.

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

### **3 FRC REFORM**

3.1 Mr Haddrill introduced the paper.

3.2 Discussion included the following points and observations:

- On timing, there was still uncertainty on whether it would be possible to secure the necessary legislation on 6 April and, if not, whether the new Minister would support aiming for a summer commencement date;
- On scope, there was mixed feedback to the consultation proposals. Discussions on scope with stakeholders should continue.
  - Within the Conduct division scope should be reviewed on an annual basis and the Conduct Committee should report to the

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Board. The Board would be looking for coherence between monitoring and discipline; clarity on what the conduct activities of the FRC; and a scope aimed at the maintenance of quality and the protection of the investor. As regards the scope of audit inspection, the Board did not agree the proposal made by the CCAB that the RSBs should monitor the audits of AIM companies given the potential risks to the investors of those companies and the role of AIM within the capital markets;

- On assurance reporting, the FSA should monitor reports and whether they achieved their objectives. The general view in discussion was that the FRC should not undertake monitoring of assurance reporting;
- On monitoring of corporate reporting, the FRC should continue to monitor the reports of banks;
- On standard setting and transparency, the Board agreed that Council meeting minutes, the advice from a Council to the Board and Board meeting discussions regarding a code or standard should be published. A number of Council meetings each year would be open to the public and the process would be kept under review.

3.3 The Board noted the paper.

## 4 NOMINATIONS COMMITTEE

4.1 The Board noted the minutes of the meeting on 6 December 2011 and agreed to receive recommendations from the meeting on 7 February when there was more clarity on the timing of the reform program.

## 5 PLAN & BUDGET 2012/13

5.1 Mr Andrews introduced the paper noting that whilst it might seem counter-intuitive to publish the draft plan and budget in the midst of reform project, it would be necessary in order to collect the FRC's funding. He reported that the budget enabled the FRC to keep levies at the same rate as for 2011/12 and was aligned with the assertions set out in the impact assessment.

5.2 The Board noted that the Audit Committee had reviewed the budget and was comfortable with the proposals.

5.3 The Board approved the draft Plan & Budget for consultation subject to some suggested drafting amendments.

## 6 EXECUTIVE REMUNERATION: FRC RESPONSE TO GOVERNMENT PROPOSALS

6.1 Mr Hodge introduced the paper inviting the Board's views on the two requests from the Secretary of State.

6.2 Discussion included the following observations:

- The emerging view of external commentators was that it would be extremely difficult to claw back vested shares or where the executive had

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left the organisation. It was also difficult to define “poor performance” in relation to claw back;

- Where issues emerged outside the performance year and those issues affected the share value then management rewards should also be affected;
- The FRC should consult openly and widely in an effort to address the problem rather than the solution to the problem posed by BIS and should focus on its role in relation to corporate governance, accountability and the protection of share-holders;
- Informal meetings should be held before publication of any consultation document. In particular it would be helpful to reach out to those who advocated increased accountability.

6.3 The Board noted the paper.

## **7 OUTLINE BOARD CALENDAR 2011/12**

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

## **8 ANY OTHER BUSINESS**

8.1 The Board discussed the need for the FRC to identify and articulate its role in relation to a number of frontier issues and to ensure its survival as a relevant and appropriately funded regulator. Time for consideration of these issues would be scheduled and the meeting in Brussels in April might provide a good first opportunity with follow up discussions in the Autumn.

## **9 NEXT MEETING**

Tuesday, 1 March 2012