
Corporate governance of the Financial Conduct Authority

Adopted by resolution of the Board
on 1 April 2013

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1. Introduction

- 1.1** The purpose of this document is to summarise the corporate governance framework within the Financial Conduct Authority (the FCA). The corporate governance framework 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. In order 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.

The FCA’s Constitution and History

- 1.3** The FCA is a company limited by guarantee (Company No. 1920623). The organisation 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:
- Building Societies Commission;
 - Friendly Societies Commission;
 - Investment Management Regulatory Organisation;
 - Personal Investment Authority;
 - Register of Friendly Societies; and

- Securities and Futures Authority

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, the organisation became the Financial Conduct Authority (FCA) following the enactment of section 1A of FSMA which renamed the Financial Services Authority as the Financial Conduct Authority. The FCA must comply with the requirements contained in Schedule 1ZA of FSMA regarding how it is constituted.

- 1.4** 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; two non-executive members who are appointed jointly by the Secretary of State for Business, Innovation and Skills and the Treasury, and at least one other member appointed by the Treasury. The majority of the Board members are Non-Executive Directors (NEDs).
- 1.5** Appointments to the Board of the FCA are subject to the Code of Practice issued by the Office of the Commissioner for Public Appointments.
- 1.6** 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.
- 1.7** The FCA is funded by the industry it regulates through statutory fee-raising powers and operates independently of government, but is accountable to Parliament through obligations set out in FSMA.
- 1.8** 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.

The Role of the Board

- 1.9** The Board is the Governing Body of the FCA. It sets the FCA's strategic aims 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.
- 1.10** 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 Handbook.
 - 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.** setting appropriate policies to manage risks to the FCA's operations and the achievement of its regulatory objectives;
 - e.** seeking regular assurance that the system of internal control is effective in managing risks in the manner it has approved;
 - f.** maintaining a sound system of financial control;
 - g.** 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;
 - h.** maintaining high level relations with other organisations and authorities, including government, the Financial Services Compensation Scheme, the Financial Ombudsman Service, the Money Advice Service and the Consumer, Practitioner, Smaller Business Practitioner and Markets Practitioner Panels; and
 - i.** establishing and maintaining arrangements to ensure accountability regarding decisions of committees of the Board and executive management, through periodic reporting.
- 1.11** In order 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.
- 1.12** 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.
- 1.13** 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 the 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.

The Role of the Chair and Chief Executive of the FCA

- 1.14** 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, which are clearly established, are set out in writing below and may only be changed with the agreement of the Board.
- 1.15** The responsibilities of the Chair and Chief Executive of the FCA are not exercised by the same individual and are clearly defined and set out below. The Board will review the objectives for both the Chair and the Chief Executive to ensure that there is a clear division between their duties.

1.16 The key responsibilities of the Chair include:

- establishing and developing an effective Board;
- leading the Board as a team;
- planning and managing the Board's business;
- involvement in discussions with the Chief Executive on key issues in relation to the business of the organisation;
- establishing priorities for the FCA;
- maintaining and developing a productive relationship with the FCA Chief Executive;
- with the Chief Executive, leading the communication of FCA policies with a wide range of consumers and other stakeholders;
- evaluating the performance of the Board and individual directors;
- representing the FCA on particular national and international financial institutions;
- raising the profile of the FCA and establishing and maintaining high level contacts worldwide; and
- 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.

1.17 The Chair has no executive responsibility for the day-to-day running of the FCA but undertakes his responsibilities as Chair by fostering the relationships between executive and non-executive directors. In addition he 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. 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.

1.18 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.

1.19 The Chief Executive is responsible for leadership of the organisation and managing it within the authorities delegated by the Board. All FCA staff, other than the Chair's immediate staff, the Director of Internal Audit and the Company Secretary, ultimately report to the Chief Executive. The key responsibilities of the Chief Executive include:

- 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;
- involving the Chair in discussions on key issues in relation to the business of the organisation;

- developing and delivering the strategic objectives agreed with the Board;
- recommending to the Board significant operational changes and major capital expenditures where these are beyond his delegated authority;
- assigning responsibilities clearly to senior management and overseeing the establishment of effective risk management and control systems;
- 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;
- 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;
- sharing with the Chair and with other members of the FCA senior management the responsibility for communicating the FCA's messages externally;
- representing the FCA on particular national and international financial institutions; and
- membership of the Financial Policy Committee and the Board of the Prudential Regulation Authority.

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

- 1.20** 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.
- 1.21** 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 undue influence.
- 1.22** The Board appoints one of the NEDs to be the Senior Independent Director to provide a sounding board for the Chair and to serve as an intermediary for the other directors when necessary.
- 1.23** The NEDs meet privately with the Chair which gives them an opportunity to discuss any concerns they may have without the executive present.
- 1.24** 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 1A, part 4, section 19). The FCA supplements this with indemnities in favour of individual directors.

The Role of the Secretary

- 1.25** The Board is responsible for the appointment and removal of the Company Secretary, who is accountable to it through the Chair.

- 1.26** 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 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.
- 1.27** 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.

Delegation of Authority by the Board

- 1.28** 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 Handbook.
- 1.29** The Board has established certain standing committees to which it has delegated specific powers, duties and decision-making responsibilities:
- a.** Audit Committee (AuditCo): AuditCo is responsible for reviewing and providing assurance to the Board on matters including the effectiveness of the FCA's internal controls, risk management and mitigation strategies, the integrity of the financial statements in the annual accounts and the statements that relate to financial controls and internal risk, and for oversight of the external audit process. The terms of reference for AuditCo are set out later in this Handbook.
 - b.** Risk Committee (RiskCo): RiskCo is responsible for the review and oversight of the external risks to the FCA's statutory objectives; making recommendations to the Board in relation to such risks; the suitability of the scope and coverage of the mitigation used to reduce the potential impact of such risks; and the effective operation of the Regulatory Decisions Committee and the Listing Authority Review Committee. The terms of reference for RiskCo are set out later in this Handbook.
 - c.** Remuneration Committee (RemCo): RemCo is responsible for determining the remuneration of the executive members of the Board. The terms of reference for RemCo are set out later in this Handbook.
 - d.** Oversight Committee: This Board Committee was established to provide support and advice to the Board on its relationship with the Money Advice Service (MAS) and its obligations under FSMA in respect of MAS. The Board has agreed that the Committee should be retained as a standing committee of the Board with the ability to extend its scope to carry out other assignments as specifically mandated by the Board, for example, to review the Plan and Budget of the Financial Ombudsman Service or the Financial Services Compensation Scheme from time to time if required.

- 1.30** 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.
- 1.31** 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 contained in the Schedule of Matters Reserved to the Board;
 - c.** the function involves a decision which the FCA's decision-taking manual reserves to the RDC; or
 - d.** 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.
- 1.32** 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 his representative.

Further delegation of decision-making

- 1.33** The Chief Executive may delegate authority (and, if he chooses, the authority to make further delegations) to one or more individuals or committees.
- 1.34** Where functions vested in the Chief Executive are exercisable by him 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; and
 - d.** appropriate procedures for decision making to be in place.
- 1.35** The nature and scope of delegations should be recorded centrally.
- 1.36** Existing delegations of authority to take decisions within the executive management structure remain in force until replaced by new delegations.
- 1.37** 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.

THE COMPANIES ACTS 1948 to 2006
COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL

ARTICLES OF ASSOCIATION
of
THE FINANCIAL CONDUCT AUTHORITY¹

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¹ 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:

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 Article 7.1(a), (b), (d) or (e).
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 and Article 7.1 of these Articles
Chair	the person who for the time being holds such office pursuant to Article 7.1(a) of these Articles.
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 Article 7.
Document	includes, unless otherwise stated, any document sent or supplied in Electronic Form.
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 Her Majesty's Secretary of State for Business, Innovation and Skills
Treasury	means Her 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 of 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; and
- 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; and
- 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; and
 - 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):
 - c.** with objects similar to those of the Authority; and
 - d.** 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, and
 - c.** adjustment of the rights of the contributories among themselves.

PART 2 – DIRECTORS AND SECRETARY

APPOINTMENT OF DIRECTORS

7 Method of appointment

- 7.1** The Board of the Authority shall comprise:
- a.** a chair appointed by the Treasury;
 - b.** a chief executive appointed by the Treasury;
 - c.** the Deputy Governor of the Bank of England for prudential regulation;
 - d.** two Directors appointed jointly by the Secretary of State and the Treasury; and
 - e.** at least one other Director appointed by the Treasury.
- 7.2** The Directors appointed pursuant to Article 7.1(a), (c) and (d) are to be non-executive Directors. In exercising its power to appoint executive and non-executive Directors pursuant to Article 7.1(e), the Treasury must secure that the majority of members of the Board are non-executive Directors.
- 7.3** An employee of the Authority may not be appointed as a non-executive Director.
- 7.4** Before appointing a person as an Appointed Director, the Treasury (or as the case requires the Treasury and the Secretary of State) must consider whether the person has any financial or other interests that could have a material effect on the extent of the functions as Director that it would be proper for the person to discharge.
- 7.5** If a person to be appointed an Appointed Director is an employee of the Authority, the Director's interest as employee is to be disregarded for the purposes of Articles 7.4, 8.5(c) and 9.1(b).

8 Directors' terms of service

- 8.1** The terms of service of the Appointed Directors are to be determined by the Treasury and will be notified to the Appointed Directors by the Company Secretary. In the case of a Director appointed pursuant to Article 7.1(d), the Treasury must consult the Secretary of State about the terms of service.
- 8.2** The Appointed Directors shall be entitled to such remuneration as may be determined:
- a.** in respect of non-executive Directors, by the Treasury; and
 - b.** in respect of executive Directors, by the Authority.
- Directors' remuneration shall accrue from day to day.
- 8.3** The Authority may pay expenses to the Deputy Governor of the Bank of England for prudential regulation in respect of that person's service as a Director.
- 8.4** 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.
- 8.5** The terms of service of an Appointed Director ("D") must be such as:
- a.** to secure that D is not subject to direction by the Treasury or the Secretary of State;
 - b.** to require D not to act in accordance with the directions of any other person, and
 - c.** to prohibit D from acquiring any financial or other interests that have a material effect on the extent of the functions as a Director that it would be proper for D to discharge.
- 8.6** A person who is an employee of the Prudential Regulation Authority is disqualified for appointment as an Appointed Director.

9 Termination of Directors' appointments

- 9.1** The Treasury may remove an Appointed Director from office:
- a.** on the grounds of incapacity or serious misconduct; or
 - b.** on the grounds that in all the circumstances the Appointed Director's financial or other interests are such as to have a material effect on the extent of the functions as a Director that it would be proper for the person to discharge.

10 Directors' conflicts of interest

- 10.1** The Bank of England's Deputy Governor for prudential regulation must not take part in any discussion by or decision of the FCA which relates to –

- a.** the exercise of the FCA's functions in relation to a particular person, or
 - b.** a decision not to exercise those functions.
- 10.2** Subject to Article 10.1 above, 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.
- 10.3** Any authorisation under this Article 10 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; and
 - 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.
- 10.4** Any authorisation of a Conflict under this Article 10 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; and
 - 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.
- 10.5** 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.
- 10.6** 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.

- 10.7** 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.
- 10.8** 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.
- 10.9** 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 10.8.
- 10.10** Subject, where applicable, to any terms and conditions imposed by the Directors in accordance with Article 10.4(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; and
 - 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.

10.11 For the purposes of this Article 10:

- 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; and
- 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

11 Exercise of powers and validity of Directors' acts

- 11.1** 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.
- 11.2** 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.
- 11.3** The Directors may act notwithstanding any vacancy in their body.

12 Delegation of function and powers

- 12.1** 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.
- 12.2** The Directors may revoke any delegation in whole or part, or alter its terms and conditions at any time.

DECISION MAKING BY DIRECTORS

13 Proceedings of Directors

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

14 Records of decisions to be kept

- 14.1** 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.
- 14.2** The Directors must publish, in such manner as they think fit, a record of each Board meeting –
- a.** before the end of the period of 6 weeks beginning with the day of the meeting, or
 - b.** if no meeting of the Board is subsequently held during that period, before the end of the period of 2 weeks beginning with the day of the next meeting.
- 14.3** The record must specify any decision taken at the meeting (including decisions to take no action) and must set out, in relation to each decision, a summary of the deliberations of the governing body.
- 14.4** The sub-sections above do not require the publication of information whose publication within the time required in 14.2 (a) and (b) above would in the opinion of the Board be against the public interest.

15 Chair

- 15.1** 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.

16 Unanimous decisions

- 16.1** 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.
- 16.2** 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.

- 16.3** 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.

17 Casting Vote

- 17.1** If the numbers of votes for and against a proposal are equal, the Chair or other Director chairing the meeting has a casting vote.
- 17.2** Article 17.1 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).

18 Calling a meeting of Directors

- 18.1** A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.
- 18.2** Notice of any Directors' meeting must indicate:
- a.** its proposed date and time;
 - b.** where it is to take place; and
 - 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.
- 18.3** Notice of a Directors' meeting must be given to each Director but this notice need not be in writing.
- 18.4** It shall not be necessary to give notice of a meeting to a Director who is absent from the United Kingdom.

19 Quorum

- 19.1** 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; and
- 19.2** The quorum for meetings of committees of the Board may be fixed by the Directors, and unless so fixed shall be three Eligible Directors.

20 Participation and presence at meetings

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

21 Committee proceedings

- 21.1** 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.
- 21.2** 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.

22 Directors' written resolutions

- 22.1** Any Director may propose a directors' written resolution.
- 22.2** The Secretary must propose a directors' written resolution if a Director so requests.
- 22.3** A directors' written resolution is proposed by giving notice of the proposed resolution to the Directors.
- 22.4** Notice of a proposed directors' written resolution must indicate:
- a.** the proposed resolution, and
 - b.** the time by which it is proposed that the Directors should adopt it.
- 22.5** 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.
- 22.6** 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.
- 22.7** 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.
- 22.8** 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.
- 22.9** 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.
- 22.10** In Articles 10 to 12, 14, 19 to 22 and 39 to 40, "committee" includes "sub-committee".

SECRETARY

23 Appointment and termination of the appointment of the Secretary

- 23.1** 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.

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

- 24.1** 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

25 Number of members

- 25.1** 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.
- 25.2** Membership of the Authority shall not be transferable or transmissible.

26 Termination of Membership

- 26.1** A Member may terminate his membership of the Authority by depositing a written notice to such effect at its registered office;
- 26.2** A Member shall cease with immediate effect to be a Member of the Authority upon ceasing to be a Director thereof; and
- 26.3** A person's membership terminates when that person dies.

GENERAL MEETINGS

27 Convening a general meeting

- 27.1** 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.

28 Participation and presence at general meetings

- 28.1** 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.

29 Notice of general meetings

- 29.1** A general meeting of the Authority shall be called by 14 days' notice in accordance with the provisions of Article 41. 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:
- 29.2** Provided that a meeting of the Authority shall, notwithstanding that it is called by shorter notice than that specified in this Article 29, 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.
- 29.3** 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.

30 Quorum at general meetings and adjournment

- 30.1** 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.
- 30.2** 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.

- 30.3** 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.

31 Chair at general meetings

- 31.1** 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.

32 Votes of members

- 32.1** Every Member shall have one vote. All votes shall be given personally or in accordance with Article 33.

33 Votes and polls at general meetings

- 33.1** 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.
- 33.2** 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.
- 33.3** 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.
- 33.4** Except as provided in Article 33.6, 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.

- 33.5** 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.
- 33.6** 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.

34 Company resolutions in writing

- 34.1** 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.
- 34.2** 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; and
 - b.** the date by which the resolution must be passed.
- 34.3** 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.
- 34.4** 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

35 Cheques, notes and receipts etc

- 35.1** 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.

36 Accounting records

- 36.1** The Directors shall cause accounting records to be kept in accordance with the Act.

- 36.2** 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.

37 Methods of communication to be used

- 37.1** 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.
- 37.2** 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.
- 37.3** 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.

38 Deemed Delivery of Documents

- 38.1** This Article applies to Directors and Members where the Authority has sent information to an Address.
- 38.2** 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.
- 38.3** 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.
- 38.4** 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 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.

39 The Common Seal

- 39.1** 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.

40 The Mutual Societies Seal

- 40.1** 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.

41 Notices

- 41.1** Notice of general meetings given to or by any person pursuant to the Articles shall be in Writing.
- 41.2** 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.
- 41.3** 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.
- 41.4** 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.

42 Indemnity

- 42.1** Subject to Article 42.2, 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 42.1(a) and otherwise may take any action to enable any such relevant officer to avoid incurring such expenditure.

42.2 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.

42.3 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.

42.4 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.

Schedule of Matters Reserved to the Board

(approved by the Board on 1 April 2013)

Background

The Board of the Financial Conduct Authority is committed to high standards of corporate governance as required by section 3C of the Financial Services and Markets Act 2000 (FSMA) and has adopted this formal schedule of matters reserved to it for its decision on 1 April 2013.

Items marked * should not be delegated to a Board Committee for decision (because of Companies Act, other statutory requirements, or UK Corporate Governance Code requirements). However a specific committee (noted in italics) may be given responsibility for that item although the final decision should be taken by the Board as a whole.

Legislative Functions

1. Discharge the Authority's legislative functions:
 - a. making rules (s 137A FSMA);
 - b. issuing codes under FSMA on:
 - conduct of approved persons (s 64); and
 - market abuse (s 119);
 - c. (i) issuing statements of policy under FSMA with respect to:
 - penalties imposed on persons performing a controlled function without approval (s63C);
 - penalties, suspensions or restrictions imposed on approved persons (s 69);
 - penalties, suspensions or restrictions imposed on sponsors (s88C);
 - penalties, suspensions or restrictions imposed on primary information providers (s89S);
 - penalties imposed on issuers of listed securities or applicants for listing (s93);
 - penalties imposed for market abuse (s 124);
 - penalties imposed for breach of short selling rules or for failure to provide information (s131J);
 - making temporary product intervention rules (s138N);
 - directing qualifying parent undertakings (s192H);
 - penalties imposed for contravention(s) by qualifying parent undertakings (s192N);

- penalties, suspensions or restrictions imposed on authorised persons (s210);
 - penalties imposed on recognised investment exchanges (s312J); and
 - penalties imposed on auditors or actuaries (s345D).
- ii) issuing statements of principle with respect to the conduct of approved persons (s64 FSMA);
- (iii) issuing a statement of policy on its duty to investigate and report on possible regulatory failure (s80 Financial Services Act 2012);
- d.** giving direction under the Authority's FSMA powers in relation to the Society of Lloyd's:
- underwriting (s 316);
 - Council (s 318); and
 - general prohibitions (s 328).

As part of the functions set out above, the Board will also determine the general policy and principles by reference to which the Authority performs a particular function.

Strategy and management

- 2.** Approve, amongst other things, the Authority's :
- a.** Conduct Risk Outlook;
 - b.** overall strategy;
 - c.** three-year plan;
 - d.** annual Business Plan; and
 - e.** annual budget.
- 3.** Approve:
- a.** the Financial Ombudsman Service's annual budget (para 9 Sch.17 FSMA); and
 - b.** in cases where the Authority has power to do so under the FSMA 2000 (Financial Services Compensation Scheme) Order 2013, the Financial Services Compensation Scheme's management expenses levy limit (s 213 FSMA);
 - c.** the Money Advice Service annual budget (para 7 Sch. 1A); and
 - d.** the Money Advice Service annual plan (para 8 Sch. 1A).
- 4.** Review performance against the Authority's strategy, objectives, business plan and budget and ensure any necessary corrective action is taken.
- 5.** Monitor arrangements for management development.

6. Determine the broad policy in relation to all aspects of remuneration in conjunction with the Remuneration Committee.*
7. Oversee the discharge of the Authority's operations by executive management ensuring:
 - a. competent and prudent management;
 - b. sound planning;
 - c. adequate accounting and other records; and
 - d. compliance with statutory obligations.

Corporate Structure

8. Approve major changes to the Authority's corporate structure (e.g. the creation of a new Business Unit).

Financial reporting and controls

9. Approve the Annual Report and Accounts including the:
 - a. Directors' Report;
 - b. Corporate Governance statement;
 - c. Remuneration Report (in conjunction with the Remuneration Committee);
 - d. Financial Review; and
 - e. Report to HM Treasury on discharging the Authority's functions under FSMA (para 11(1) Sch. 1ZA FSMA).
10. Approve any significant changes in accounting policies or practices. (*Audit Committee*).*
11. Undertake a regular review of the significant financial reporting issues and judgments made in connection with the preparation of the financial statements (*Audit Committee*).*

Internal Controls and Risk Management

12. Ensure maintenance of a sound system of internal controls and internal risk management including:
 - a. receiving reports on and reviewing the effectiveness of the Authority's internal risk and controls processes to support its strategy and objectives (*Audit Committee*);*
 - b. undertaking an annual assessment of these processes (*Audit Committee*);* and
 - c. approving an appropriate statement on internal controls and risk management (*Audit Committee*).*
13. Ensure the maintenance of an effective risk management system which both identifies and, where feasible, seeks to mitigate risks to the Authority's statutory objectives (*Risk Committee*).*
14. Undertake an annual assessment of the effectiveness of internal control and risk management processes (including financial, operational and compliance controls and risk management systems) (*Audit Committee* and *Risk Committee*).*

15. Regularly review the potential implications of legal action being taken against the Authority (*Audit Committee*).*

Financial Authorities

16. Approve all transactions (within the Budget approved by the Board) that are in the ordinary course of business, and the value of which (including VAT) exceeds £5m. This applies to:
- a. both capital and revenue items;
 - b. the total of closely-related transactions; and
 - c. both business as usual and project-related transactions.
17. Approve transactions (or related programmes of transactions) not in the ordinary course of business, or not within the Budget, the value of which (including VAT) is in excess of £1m.
18. Approve all projects or programmes where the projected total project delivery cost over the life of the project or programme is greater than £10m (including VAT).
19. Approve project budget overruns of more than 5% on Board-approved projects (paras. 17 and 18).
20. Approve the delegation of financial authorities (within the Finance Policy).

Board membership and other appointments

21. Subject to the statutory requirements as to the composition of the Authority's Board (FSMA, Sch 1ZA, para. 2), make representation to HM Treasury on the balance and composition of the Board to ensure there is adequate succession planning within the Board.
22. Plan for succession of Executive Board members and senior staff (i.e. directors and above).
23. Appoint the chair (and where applicable deputy chair) and members of the following Committees:
- a. Audit Committee;
 - b. Risk Committee;
 - c. Remuneration Committee;
 - d. Oversight Committee;
 - e. Listing Authority Review Committee;
 - f. Regulatory Decisions Committee; and
 - g. the members of any other committees established by the Board from time to time.
24. Appoint and remove the Company Secretary.
25. Subject to the requirements of FSMA, review the performance of the external auditors and determine their remuneration (*Audit Committee*).*

26. Approve the creation of any senior roles including any Senior Directors and Staff Directors, which terms refer to any senior managers with the title of Director but who are not members of the Board.
 27. Appoint Senior Directors and Staff Directors.
 28. Appoint employer-nominated directors of the Board of the Authority's pension trustee company and any successor bodies.
 29. Appoint the members, and with Treasury approval, the Chairs of the following bodies:
 - a. the Practitioner Panel (s 1N FSMA);
 - b. the Smaller Business Practitioner Panel (s1O FSMA);
 - c. the Markets Practitioner Panel (s1P FSMA); and
 - d. the Consumer Panel (s1Q FSMA).
 30. Appoint the members of the Listing Authority Advisory Panel.
 31. Agree and maintain a public statement of the pool of eligible practitioners which the Smaller Business Practitioner Panel will represent.
 32. Appoint and remove members of the Board of the Financial Ombudsman Service (Sch. 17 s.3(2) FSMA) with Treasury approval required for the Chair.
 33. Appoint and remove, in agreement with the Prudential Regulation Authority, members of the Board of the Financial Services Compensation Scheme (s 212(4) FSMA) with Treasury approval required for the Chair.
 34. Appoint and remove members of the Board of the Money Advice Service (Sch. 1A, s 2(2) FSMA) with Treasury approval required for the Chair and Chief Executive.
 35. In agreement with the Prudential Regulation Authority and the Bank of England, appoint and determine the remuneration of, an Independent Complaints Commissioner to conduct investigations within the Complaints Scheme (with Treasury approval) (s 84(1)(b) Financial Services Act 2012).
 36. Appoint a "Chief Prosecutor" and a "Deputy Prosecutor" to exercise the Authority's powers under the Serious Organised Crime and Police Act 2005(s.71(6a)) as amended by the Coroners and Justice Act 2009.
- Delegation of authority***
37. Approve the terms of reference of all Board Committees.
 38. Approve the basis of permissible delegation of the Board's authority to any Committee or individual and the periodic review of that basis of delegation.
 39. Receive reports from Board Committees on their activities.

Policies

40. Approve, and agree any revisions to the following policies:
- a. Codes of Conduct for FCA staff, non-executive directors and members of the Regulatory Decisions Committee;
 - b. Corporate Responsibility Policy;
 - c. Health and Safety Policy;
 - d. Communications Policy;
 - e. Remuneration Policy;
 - f. Business Continuity Management Policy;
 - g. Finance Policy (including the schedule of delegated authorities Audit Committee)*; and
 - h. Procurement Policy.

Approval of these policies must include appropriate equality and diversity considerations.

Corporate Governance matters

41. On an annual basis undertake a formal and rigorous review of its own performance, its committees and individual Executive and Non-Executive Directors (or report on why this has not occurred in any particular year).
42. Review the Authority's overall Corporate Governance arrangements (s 3C FSMA) (*Audit Committee*).*

Other

43. Approve prosecution, defence and settlement of litigation (involving more than £2m or otherwise material to the interests of the Authority).
44. Discuss any novel or contentious matters (which in the opinion of the Board or Executive management it would be appropriate for the Board to consider).
45. Approve major changes to the rules of the Authority's Pension Plan.
46. Agree, and review on an annual basis, the operation of the Memorandum of Understanding between the Authority and the Prudential Regulation Authority (PRA). A summary of the key points from those reviews is to be included in the Authority's Annual Report (para 11(1)(g) Sch. 1ZA FSMA).
47. Appoint a senior executive to be responsible for reviewing on a quarterly basis the co-ordination between the Authority and the PRA as set out in the Memorandum of Understanding.
48. Agree, and review on an annual basis, all Memorandums of Understanding which are required by statute between the Authority and any third parties.
49. Agree to the postponement of the start, or suspension of, an investigation into possible regulatory failure if it is necessary to do so to avoid a material adverse effect on the exercise by it of its other functions (s 78(3) Financial Services Act 2012).

- 50.** Agree changes to the Articles of Association, as required by those Articles, of the following bodies:
- a.** Financial Ombudsman Service;
 - b.** Financial Services Compensation Scheme;
 - c.** Money Advice Service.
- 51.** Agree the remuneration of the Directors of the following bodies:
- a.** Financial Ombudsman Service (*Remuneration Committee*)*;
 - b.** Financial Services Compensation Scheme (*Remuneration Committee*)*;
 - c.** Money Advice Service (*Remuneration Committee*)*.
- 52.** Agree the remuneration of the following bodies:
- a.** Consumer Panel (*Remuneration Committee*)*;
 - b.** Smaller Business Practitioner Panel (*Remuneration Committee*)*;
 - c.** FSA Pension Plan Trustee Ltd (*Remuneration Committee*)*;
 - d.** Regulatory Decisions Committee (*Remuneration Committee*)*.

Terms of Reference of the Audit Committee *(approved by the Board on 1 April 2013)*

Purpose

1. The Audit Committee (AuditCo) is responsible for reviewing and providing assurance to the Board on matters including the effectiveness of the FCA's internal controls, the internal risk management framework and mitigation strategies, the integrity of the financial statements in the annual accounts and the statements that relate to financial controls and internal risk, and for oversight of the external audit process.

Duties

2. The duties of AuditCo are as follows:

Financial reporting

3. To monitor the integrity of the financial statements of the FCA, reviewing significant financial reporting issues and judgements made.
4. To review and challenge where necessary:
 - a. the consistency of, and any changes to, accounting policies both on a year on year basis and across the FCA;
 - b. the methods used to account for significant or unusual transactions where different approaches are possible;
 - c. whether the FCA has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - d. the clarity of disclosure in the FCA's financial reports and the context in which statements are made; and
 - e. all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit or risk management).

5. To review the annual financial statements of the pension plan.

FCA Chair's expenses

6. To review the expenses incurred by the FCA Chair, by an annual summary, showing separately travel, entertainment and any other significant items of expense.

Financial policies

7. To monitor and, if it sees fit, make recommendations to the Board on the FCA's financial policies.

Internal controls and internal risk management¹

8. a) To keep under review the effectiveness of the FCA's internal controls and internal risk management framework.
- b) To seek assurance from the Executive:
- i. that adequate and effective processes and the necessary staff and operational resources have been applied within the business to enable the execution of effective risk management and mitigation strategies and systems to reduce the potential impact of external risks and that sufficient resources have been appropriately applied by the Executive to the identification, management and mitigation of risks associated with the operational platform; and
 - ii. on the quality of supervision/supervisory effectiveness including the standard of judgement and the delivery of outcomes.
 - iii. To review and approve the statements to be included in the annual report concerning internal controls and internal risk management.
9. The risks included in the Risk Management Framework should be defined, in so far as is practicable, so that either AuditCo or the Risk Committee take primary oversight responsibility. Such responsibility will be agreed between the chairs of the two Committees or, in the absence of agreement, by the Chair of the FCA.
10. Where a risk has an internal and an external risk profile, the chairs of the Audit and Risk Committees shall agree the allocation of responsibility for oversight of the internal and external components of such risks and seek assurance from the Executive that such risks have been aligned appropriately on the Risk Management framework.

Whistleblowing

11. To review the FCA's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing. AuditCo shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

Potential implications of legal action

12. To monitor and, if it sees fit, make recommendations to the Board on the potential implications of legal action taken against the FCA, based on litigation reports received from the General Counsel's Division and Human Resources Division.

Conflicts of interest

13. To monitor and, if it sees fit, make recommendations to the Board on the adequacy of the operation and management of the Code of Conduct for staff dealing in shares and other securities and handling potential conflicts of interest.

Internal audit

14. a) To review and approve the terms of reference for the internal audit function;
- b) to monitor and review the effectiveness of the FCA's internal audit function in the context of the FCA's overall risk management framework;
- c) to consider and approve the remit of the internal audit function and ensure it has

¹ Internal risk is defined as those risks arising from both the FCA's operational platform and its regulatory processes.

adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. AuditCo shall also ensure the function has adequate standing and is free from management or other restrictions;

- d) to review and assess the internal audit universe and plan;
- e) to review promptly reporting on the FCA from the internal auditor;
- f) to review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- g) to meet the Director of Internal Audit quarterly, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the Director of Internal Audit shall have the right of direct access to the FCA Chair and to the chair of AuditCo, and is accountable to the Board and AuditCo;
- h) to advise the Chair and Chief Executive on the effectiveness of the Director of Internal Audit (as required);
- i) to make recommendations to the Board to assist in any decision to appoint or remove the Director of Internal Audit; and
- j) to review the proposed annual budget for the Internal Audit Division and make recommendations to the Board (if appropriate).

External Audit

15. The Comptroller and Auditor General has been appointed as auditor to the FCA (Sch 1ZA s15 FSMA) and the Companies Act provisions relating to the appointment and removal of auditors are disapplied. AuditCo is, however, responsible for overseeing the relationship with the external auditor including (but not limited to):
- i. recommending to the Board their fees, whether for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - ii. approval of their terms of engagement, including any engagement letter issued at the start of each audit, and the scope of the audit;
 - iii. an annual assessment of their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - iv. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the FCA (other than in the ordinary course of business);
 - v. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the FCA compared to the overall fee income of the firm, office and partner and other related requirements;
 - vi. an annual assessment of their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;

- vii. meeting regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. AuditCo shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
 - viii. developing and recommending to the Board the FCA's policy in relation to the provision of non-audit services by the auditor and ensuring that the provision of such services does not impair the external auditor's independence or objectivity. In doing so, AuditCo should;
 - consider whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
 - consider whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
 - consider the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit fee;
 - consider the criteria which govern the compensation of the individuals performing the audit;
 - ix. reviewing and approving the audit plan and ensuring that it is consistent with the scope of the audit engagement; and
 - x. reviewing the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - a discussion of any major issues which arose during the audit;
 - any accounting and audit judgements; and
 - levels of errors identified during the audit.
16. To review the effectiveness of the audit and:
- a. review any representation letters requested by the external auditor before they are signed by management;
 - b. review the management letter and management's response to the external auditor's findings and recommendations; and
 - c. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

Membership and Committee Proceedings

- 17. Members of AuditCo shall be appointed by the Board, in consultation with the chair of AuditCo. AuditCo shall be made up of at least three members; one of whom must be the Chair of the Risk Committee.
- 18. All members of AuditCo shall be Non-executive Directors (NEDs). The FCA Chair shall not be a member of AuditCo.

19. Only members of AuditCo have the right to attend Committee meetings. However, any other individuals may be invited, by the Chair of the Committee, to attend all or part of any meeting as and when appropriate.
20. The external auditor will normally be invited to attend all meetings of AuditCo.
21. The Board shall appoint the AuditCo chair who shall be a NED. In the absence of the AuditCo chair, the remaining members present shall elect one of themselves to chair the meeting.

Secretary

22. The Company Secretary or their nominee shall act as the Secretary of AuditCo (the Secretary).

Quorum

23. The quorum necessary for the transaction of business shall be three members. A duly convened meeting of AuditCo at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by AuditCo.

Frequency of meetings

24. AuditCo shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required. These meetings will be scheduled as far as possible, to co-ordinate with the Risk Committee meetings.

Notice of meetings

25. Meetings of AuditCo shall be called by the Secretary at the request of any of its members or at the request of the external or internal auditors if they consider it necessary.
26. Meetings may also be held by telephone or by electronic means to deal with AuditCo business.
27. 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 AuditCo, and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to AuditCo members and to other attendees as appropriate, at the same time.

Minutes of meetings

28. The Secretary shall minute the proceedings and resolutions of all meetings of AuditCo, including recording the names of those present and in attendance.
29. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest, advise on how to manage them and minute the outcome accordingly.
30. Minutes of AuditCo meetings shall be circulated promptly to all members of AuditCo and to nominated recipients. The minutes will also be circulated to all members of the Board, unless a conflict of interest exists.

Annual Public Meeting

31. The chair of AuditCo shall attend the Annual Public Meeting prepared to respond to any stakeholder questions on AuditCo's activities.

Reporting responsibilities

32. The AuditCo chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

- 33. AuditCo shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 34. AuditCo is responsible for advising the Board on the FCA's compliance with the UK Corporate Governance Code.
- 35. AuditCo shall compile a report on its activities to be included in the FCA's Annual Report.

Powers

- 36. AuditCo is authorised:
 - a. to seek any information it requires from any employee of the FCA in order to perform its duties;
 - b. to obtain, at the FCA's expense, outside legal or other professional advice on any matter within its terms of reference; and
 - c. to call any employee to be questioned at a meeting of AuditCo as and when required.

Other matters

- 37. AuditCo shall:
 - a. have access to sufficient resources in order to carry out its duties, including access to Corporate Services for assistance 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 laws and the provisions of the UK Corporate Governance Code as appropriate;
 - d. be responsible for co-ordination of the internal and external auditors;
 - e. oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort;
 - f. at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
 - g. have a private session to discuss AuditCo matters at every scheduled AuditCo meeting (unless agreed otherwise).

Terms of Reference of the Risk Committee *(approved by the Board on 1 April 2013).*

Purpose

1. The Risk Committee (RiskCo) is responsible for the review and oversight of the following, on which it will report to the Board:
 - a. the external risks to the achievement of the FCA's statutory objectives;
 - b. the executive's appetite for such risks;
 - c. the suitability of the scope and coverage of the mitigation used to reduce the potential impact of such risks; and
 - d. the effective operation of the Regulatory Decisions Committee (RDC) and the Listing Authority Review Committee (LARC).

Duties

2. RiskCo should carry out the duties below in order to fulfil its responsibilities.
3. RiskCo will seek assurance that:
 - a. the major external risks to the FCA's statutory objectives and its reputation, arising within the environment that the FCA regulates, have been identified and prioritised appropriately; and
 - b. the executive has mitigation strategies in place to address these risks and that the scope and coverage of these mitigation strategies will support the delivery of the FCA's outcomes.
4. RiskCo will:
 - a. keep under review the identification of risks (as reflected in the management information it receives on the Risk Management Framework) and management's mitigation of these risks;
 - b. review the statements to be included in the Annual Report and Accounts concerning risks to the environment in which the FCA regulates;
 - c. review any relevant reports from the internal and external auditors and the Supervisory Oversight Function; and
 - d. keep under review the operation of the RDC and the LARC.
5. The risks included in the Risk Management Framework should be defined, in so far as is practicable, so that either the Audit Committee or RiskCo take primary oversight responsibility. Such responsibility will be agreed between the chairs of the two committees or, in the absence of such agreement, by the Chair of the FCA.

6. Where a risk has both an internal and an external risk profile, the chairs of the Audit and Risk Committees shall agree the allocation of responsibility for oversight of the internal and external components of such risks and seek assurance from the executive that such risks have been aligned appropriately on the Risk Management Framework.

Membership

7. Members of RiskCo shall be appointed by the Board, in consultation with the chair of RiskCo. RiskCo shall be made up of at least three members; one of whom must be a member of the Audit Committee.
8. All members of RiskCo shall be Non-executive Directors (NEDs). The FCA's Chair shall not be a member of RiskCo.
9. Only members of RiskCo have the right to attend committee meetings. However, other individuals may be invited, by the Chair of the Committee, to attend all or part of any meeting as and when appropriate.
10. Executive Directors on the FCA's Board, will normally be expected to attend for relevant items all meetings of RiskCo.
11. The Board shall appoint the RiskCo chair who shall be a NED. In the absence of the RiskCo chair, the remaining members present shall elect one of themselves to chair the meeting.

Secretary

12. The Company Secretary or their nominee shall act as the Secretary of RiskCo (the Secretary).

Quorum

13. The quorum necessary for the transaction of business shall be three members. A duly convened meeting of RiskCo at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by RiskCo.

Frequency of meetings

14. RiskCo shall meet at least four times a year. These meetings will be scheduled as far as possible, to coincide with key dates in the risk review process and, as far as possible, to co-ordinate with Audit Committee meetings.

Notice of meetings

15. Meetings of RiskCo shall be called by the Secretary at the request of any of its members or at the request of the external or internal auditors if they consider it necessary.
16. Meetings may also be held by telephone or by electronic means to deal with RiskCo's business.
17. 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 RiskCo and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to RiskCo members and to other attendees as appropriate, at the same time.

Minutes of meetings

18. The Secretary shall minute the proceedings and resolutions of all meetings of RiskCo, including recording the names of those present and in attendance.

19. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest, advise on how to manage them and minute the outcome accordingly.
20. Minutes of RiskCo meetings shall be circulated promptly to all members of RiskCo and to nominated recipients. The minutes will also be circulated to all members of the Board, unless a conflict of interest exists.

Annual Public Meeting

21. The RiskCo chair shall attend the Annual Public Meeting prepared to respond to any stakeholder questions on RiskCo's activities.

Reporting responsibilities

22. The RiskCo chair shall report to the Board on its proceedings after each meeting.
23. RiskCo shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
24. RiskCo shall provide a report on its activities to be included in the FCA's Annual Report.

Powers

25. RiskCo is authorised:
 - a. to seek any information it requires from any employee of the FCA in order to perform its duties;
 - b. to obtain, at the FCA's expense, outside legal or other professional advice on any matter within its terms of reference; and
 - c. to call any employee to be questioned at a meeting of RiskCo as and when required.

Other matters

26. RiskCo shall:
 - a. have access to sufficient resources in order to carry out its duties, including access to Corporate Services for assistance 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. 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.

* The induction programme will cover the role of the RiskCo; its terms of reference; the amount of time members are expected to commit to RiskCo business; access to resources and the co-ordination between RiskCo members, the Audit Committee, the Board, the Executive, the FCA's risk management framework, and any other matters thought appropriate.

Terms of Reference of the Remuneration Committee. *(approved by the Board on 25 April 2013)*

Purpose

- 1.** The Remuneration Committee ("RemCo") is responsible for:
 - a.** Reviewing, and making recommendations to the Board for approval, in respect of the FCA's broad policy in relation to all aspects of remuneration;
 - b.** In reviewing the policy identified in 1a), take into account all factors which it deems necessary. The objective of such policy shall be to ensure that FCA employees are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contributions to the success of the FCA;
 - c.** Reviewing, and by reference to the broad policy applying from time-to-time, determining :
 - i.** the terms of any contract of employment; and
 - ii.** the remuneration arrangements, including any annual or longer-term incentive packages and pensions rights of:
 - the Executive Directors;
 - any member of staff of the employment grade Director² reporting to the Chief Executive and, in addition, the HR Director, IS & Programme Management Director and Finance & Operations Director;
 - the Director of Internal Audit; and
 - the Company Secretary.
 - d.** Monitoring against the agreed broad policy the application of the policy across the whole FCA to ensure transparency, fairness and consistency.
 - e.** Reviewing, in consultation with the Executive, the FCA's redundancy policy.
 - f.** Approving both the policy and any compensation packages or arrangements following the severance of the service contract applicable to the Company Secretary, any Executive Director or Director reporting to the Chief Executive and, in addition, the HR Director, IS & Programme Management Director and Finance & Operations Director
 - g.** Approving the policy covering the involvement of the Chair and Executive Board members with, and the treatment of fees arising from, any outside appointment offered to them.
 - h.** Approving a policy for authorising claims for expenses for the Chief Executive and Chair.

- i. Selecting, appointing and determining the terms of reference of any independent remuneration consultants appointed to advise RemCo on remuneration policy, levels of remuneration of, and terms of any contract of employment applicable to, those individuals for whom RemCo has responsibility. RemCo may commission independent legal advice, as necessary.
- j. Reviewing, from time to time, the remuneration of the Directors of the following bodies and recommending to the FCA Board for agreement:
 - i. Financial Ombudsman Service;
 - ii. Financial Services Compensation Scheme;
 - iii. Money Advice Service.
- k. Reviewing, from time to time, the remuneration of the Chair and members of the following bodies and recommending to the FCA Board for agreement:
 - i. the Consumer Panel;
 - ii. the Smaller Business Practitioner Panel;
 - iii. the Regulatory Decisions Committee;
 - iv. the Pension Plan Trustee Company.
- l. Reviewing the Executive's recommendations for the annual budget for pay and incentive awards for recommendation to the Board.
- m. Ensuring, in discussion with the Chief Executive, that appropriate succession arrangements are in place for senior roles.

Membership

- 2. The membership of RemCo shall comprise only non-executive directors and shall consist of not less than four members.
- 3. Only members of RemCo have the right to attend committee meetings. However, other individuals may be invited by the Chair of the Committee, to attend all or part of any meeting as and when appropriate.
- 4. No person may be present when any matter directly affecting that person is under consideration.
- 5. RemCo is assisted by the Director, Human Resources and by the Chief Operating Officer.

Secretary

- 6. The Company Secretary, or their nominee, shall be Secretary to RemCo.

Quorum

- 7. The quorum necessary for the transaction of business shall be three members. A duly convened meeting of RemCo at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by RemCo.

Frequency of Meetings

8. RemCo shall meet not less than twice each year.

Notice of Meetings

9. Meetings of RemCo shall be called by the Secretary at the request of any of its members.
10. Meetings may also be held by telephone or by electronic means to deal with RemCo business.
11. 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 RemCo and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to RemCo members and to other attendees as appropriate, at the same time.

Minutes of Meetings

12. The Secretary shall minute the proceedings and resolutions of all meetings of RemCo, including recording the names of those present and in attendance.
13. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest, advise on how to manage them and minute the outcome accordingly.
14. Minutes of RemCo meetings shall be circulated promptly to all members of RemCo and to nominated recipients.

Annual Public Meeting

15. The Chair of RemCo shall attend the Annual Public Meeting of the FCA prepared to respond to any questions on RemCo's activities.

Reporting Responsibilities

16. The Chair of RemCo shall report to the Board at regular intervals informing the Board of the matters it has reviewed, the decisions it has made, and making recommendations on policy, as appropriate.
17. RemCo will report annually to the Board on the discharge of its responsibilities in a form fit for publication in the FCA's Annual Report and Accounts.

Powers

18. RemCo is authorised:
- a. to seek any information it requires from any employee of the FCA in order to perform its duties;
 - b. to obtain, at the FCA's expense, outside legal or other professional advice on any matter within its terms of reference; and
 - c. to call any employee to be questioned at a meeting of RemCo as and when required.

Other Matters

19. RemCo shall annually review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes to the FCA Board for approval.

Terms of Reference of the Oversight Committee (*approved by the Board on 1 April 2013*)

Purpose

1. The Oversight Committee was established by resolution of the Board of the FCA (“Board”) on 26 July 2012. The Committee was established for the purpose of providing support and advice to the Board on its relationship with the Money Advice Service (MAS) and its obligations under FSMA in respect of MAS.

Duties

2. The Oversight Committee is advisory in nature and has no delegated decision-making duties or powers.
3. The principal duties of the Oversight Committee shall be to:
 - a. review and challenge the basis of preparation, underlying assumptions and predicted outcome of the Annual Budget of MAS;
 - b. review and challenge the basis of preparation, underlying assumptions and proposals for the application and execution of the Annual Plan of MAS;
 - c. monitor the FCA Executive’s supervision of MAS;
 - d. monitor the FCA Executive’s supervision of the appointment of members of the Board of MAS;
 - e. liaise with the Board of MAS to ensure that a review of the effectiveness of the Board of MAS is carried out at least annually;
 - f. recommend to the Board whether it should approve the Annual Budget and Annual Plan;
 - g. provide advice and support to the Board, including consulting with HM Treasury as appropriate, in order to assist it in determining whether to exercise its power under FSMA to appoint an independent person to conduct a review of the economy, efficiency and effectiveness with which MAS has used its resources; and
 - h. provide such other advice and support to the Board as may be required in order to assist it in satisfying its obligations, and exercising its powers, under FSMA in respect of MAS.
4. The Committee has the ability to extend its scope to carry out other assignments as specifically mandated by the Board, for example, to review the Plan and Budget of the Financial Ombudsman Service and/or the Financial Services Compensation Scheme from time to time if required.

Authority

5. The Committee is authorised by the Board to obtain such information as it considers necessary for the discharge of its duties.

Membership

6. Members of the Oversight Committee shall be appointed by the Board. The Committee shall consist of at least four members, the majority of whom shall be members of the Board. The Chief Executive or his nominee shall be a member of the Committee.
7. The chair of the Oversight Committee shall be appointed by the Board. In the absence of the chair at any meeting of the Committee, the remaining members present shall elect one of themselves to chair the meeting.
8. The Company Secretary or their nominee shall act as the Secretary of the Oversight Committee.

Meetings

9. The Committee shall meet as regularly as required to discharge its duties. Any member of the Committee may request a meeting if they consider that one is necessary.
10. Only members of the Oversight Committee shall be entitled to attend its meetings.
11. Other individuals may be invited to attend for all or part of any meeting at the invitation of the Committee.
12. The quorum necessary for the transaction of business shall be three members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Reporting Procedures

13. The Committee chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
14. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
15. The Secretary shall minute the proceedings and resolutions of all Committee meetings. Minutes of Committee meetings shall be circulated to all members of the Committee.

Terms of Reference of the Regulatory Decisions Committee (*approved by the Board on 1 April 2013*)

Purpose

1. The Regulatory Decisions Committee (RDC) exercises certain regulatory powers including in relation to the giving of:
 - a. supervisory notices; and
 - b. warning notices and decision notices;on behalf of the FCA.
2. Having regard to section 395(2) of FSMA (The Authority's procedures), the Board created the RDC with the powers and functions described in the Decision Procedure and Penalties manual (DEPP) to ensure the Authority's enforcement process operates fairly by ensuring separation between those who investigate possible rule breaches and those who decide whether the conduct in question should be sanctioned. To this end:
 - a. The RDC is separate from the Authority's executive management structure. Apart from its Chair, none of the members of the RDC is an employee of the Authority.
 - b. All members of the RDC are appointed for fixed periods by the Board. 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 RDC will be provided with staff who are separate from those FCA staff involved in conducting investigations.

Duties

3. The RDC's functions are:
 - a. to decide whether to give statutory and other notices in cases which are described as within its scope by the Handbook, any regulatory guide or legislation (whether primary or subordinate legislation) including in particular DEPP and the Enforcement Guide (EG);
 - b. to take decisions associated with the matters which are within its scope; and
 - c. to receive representations, whether written or oral.
4. The RDC is accountable to the Board, through the Risk Committee, in respect of its procedures, policies and general arrangements, but this does not affect its independence in relation to its individual decisions.

Membership

5. The RDC 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.

Secretary

6. The administrative functions of the RDC, including the function of acting as secretary, shall be performed by Corporate Services.

Quorum

7. In order to exercise its powers, the RDC may meet as a full committee, but will ordinarily meet in panels. The quorum at a meeting of the RDC or Panel is usually (subject to the provisions of DEPP):
 - a. its Chair or a Deputy Chair (who will chair the meeting); and
 - b. at least two other members.

8. The composition and size of panels of the RDC may vary depending on the nature of the particular matter under consideration. In cases in which representations are made, it will be usual for the panel to include additional members of the RDC who have not previously considered the matter.

Frequency of Meetings

9. The RDC shall meet as often as necessary to discharge its functions.

Notice of Meetings

10. Corporate Services shall make the arrangements for each meeting, including confirming the availability of each relevant RDC member.
11. Unless otherwise agreed, confirmation of the arrangements for each meeting shall be forwarded to each relevant member of the RDC and any other relevant person as soon as practicable before the date of the meeting, together with the papers to be considered at the meeting.
12. Attendance at meetings may be by telephone or similar facility. Decisions may also be taken in writing including email or other electronic means. The RDC does not meet in public.

Minutes of Meetings

13. Corporate Services will make and retain appropriate records of the decisions taken by the RDC.

Reporting Responsibilities

14. The Chair of the RDC will report on a quarterly basis to the Risk Committee and at least annually to the Board.

Delegation

15. Decisions may be taken by the Chair, a Deputy Chair or one or more FCA employees in the circumstances described in DEPP or EG.

Powers

16. The RDC may require any employee of the FCA to attend one or more of its meetings.
17. The RDC shall have access to sufficient resources in order to carry out its duties, including, in particular, the resources of the Corporate Services Division.

Other Matters

- 18.** 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.
- 19.** The RDC is to follow the procedures set out in DEPP and may determine its own procedures where they are not specified.

Terms of Reference of the Listing Authority Review Committee (*approved by the Board on 1 April 2013*)

Purpose

1. The functions of the Listing Authority Review Committee (LARC) are:
 - a. to determine applications referred to it by staff to dispense with or modify the Listing Rules, made by the competent authority for the purpose of Part VI of FSMA, for the time being in force; and
 - b. to resolve disputes on the application and interpretation of the Listing Rules.

Membership

2. The membership of LARC shall comprise a chair, who is an executive director of the FCA, and of members who are senior FCA staff or practitioners appointed by the chair.

Secretary

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

Quorum

4. The quorum necessary for the transaction of business for LARC shall be three members. A duly convened meeting of LARC at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by LARC.

Frequency of Meetings

5. LARC shall meet as and when required.

Notice of Meetings

6. Meetings of LARC shall be called by the Secretary at the request of any member of the committee.
7. Meetings may also be held by telephone or by electronic means to deal with LARC business.
8. 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 LARC and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to LARC members and to other attendees as appropriate, at the same time.

Minutes of Meetings

9. The Secretary shall minute the proceedings and resolutions of all meetings of LARC, including recording the names of those present and in attendance.
10. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest, advise on how to manage them and minute the outcome accordingly.

11. Minutes of LARC meetings shall be circulated promptly to all members of the committee and to nominated recipients.

Powers

12. LARC is authorised:
 - a. to seek any information it requires from any employee of the FCA in order to perform its duties; and
 - b. to call any employee to be present at a meeting of the committee as and when required.

Other Matters

13. LARC shall have access to sufficient resources in order to carry out its duties, including access to Corporate Services for assistance as required.

Terms of Reference of the Guidance Committee

(approved by the Board on 27 June 2013)

Purpose

- 1.** The Guidance Committee, with full delegated authority of the FCA Board, discharges the function of issuing general guidance (as defined in section 139B(5) of the Financial Services and Markets Act 2000 (FSMA)) and is constituted in accordance with Schedule 1ZA, paragraph 8(4) of FSMA.

Duties

- 2.** The Guidance Committee's sole duty is to issue general guidance as defined in section 139B(5) FSMA and described in a) below where it considers appropriate. It must exercise its duty as prescribed by sections 139A and 139B FSMA.
 - a.** The Guidance Committee may give guidance consisting of such information and advice as it considers appropriate:
 - i.** with respect to the operation of specified parts of FSMA and of any rules made by the FCA under it;
 - ii.** with respect to any matter relating to functions of the FCA;
 - iii.** with respect to any other matters about which it appears to the FCA to be desirable to give information or advice.
 - b.** On giving any general guidance, the Guidance Committee, on behalf of the FCA, must give the Treasury a copy of the guidance without delay.
 - c.** The Guidance Committee may constitute a Guidance Sub-Committee, composed of a chairman and any members appointed by the FCA Guidance Committee and may sub-delegate the function of issuing guidance to such Guidance Sub-Committee.
 - d.** Without prejudice to c) the Guidance Committee may sub-delegate the function of issuing guidance to any Committee or Sub-Committee constituted by virtue of the CEO Delegations of 1 April 2013. For the avoidance of doubt, such committee would be exercising functions and be accountable to the FCA Board through the line of delegation created in this document.

Membership

3. The standing membership of the Guidance Committee shall comprise the following officers of the FCA:
 - Chief Executive;
 - Chief Operating Officer;
 - General Counsel;
 - Director of Supervision;
 - Director of Authorisations;
 - Director of Markets;
 - Director of Enforcement;
 - Director of Communication; and
 - Director of Policy, Risk and Research.
4. Alternates will not be allowed to attend in place of standing members. The Guidance Committee may invite any FCA employee or any other person to take part in its discussions but, for the avoidance of doubt, any such invitee shall not count towards the quorum and shall not take part in taking any decision reserved to the Guidance Committee.
5. The Chief Executive of the FCA shall chair the Guidance Committee. In the absence of the Chief Executive, the meeting will be chaired by the Chief Operating Officer. Alternatively, in their absence the members present shall elect the Chair for that meeting.

Secretariat

6. The Secretariat will be provided by the Executive Office. The Secretariat will provide minutes of the FCA Guidance Committee discussions, decisions and actions which may be embedded in minutes for any other Committee.
7. The Secretariat shall minute the proceedings and resolutions of all meetings of the Guidance Committee, including recording the names of those present and in attendance.
8. Minutes of Guidance Committee meetings shall be circulated promptly to all members of the Guidance Committee and to nominated recipients.

Quorum

9. The quorum at a meeting of the Guidance Committee is three members.

Frequency of Meetings

10. The Guidance Committee shall meet as and when appropriate to consider issues that fall within its remit. Meetings may be called at the request of any of its members.

Procedures

11. The Guidance Committee may hold meetings in person, by telephone or by means of electronic communication provided that, throughout the meeting, all persons participating in the meeting are able to communicate interactively and simultaneously with all other parties participating in the meeting. For the avoidance of doubt, participation in a meeting by telephone or electronic communication does not preclude a member from counting towards a quorum, participating in discussions, votes or decisions regarding any matter considered by the Guidance Committee.
12. The Guidance Committee may also take decisions in writing, including by fax, email or other electronic means. If the views of at least the number required for a quorum are obtained and they agree on a decision, that shall be the decision of the Guidance Committee on that matter.
13. The Guidance Committee may escalate any matter being considered to the FCA Board.

Notice of Meetings

14. The Secretariat will ensure that Guidance Committee members receive information and papers in sufficient time to enable them to give full and proper consideration to issues.

Conflicts

15. Any Guidance Committee members who are subject to a conflict of interest in the decision to issue guidance must declare the interest to the Chair (or, if the person with the conflict of interest is the Chair, to another member). The individual to whom the interest is declared will decide whether the conflict precludes the involvement of the member in making the decision.

Reporting Responsibilities

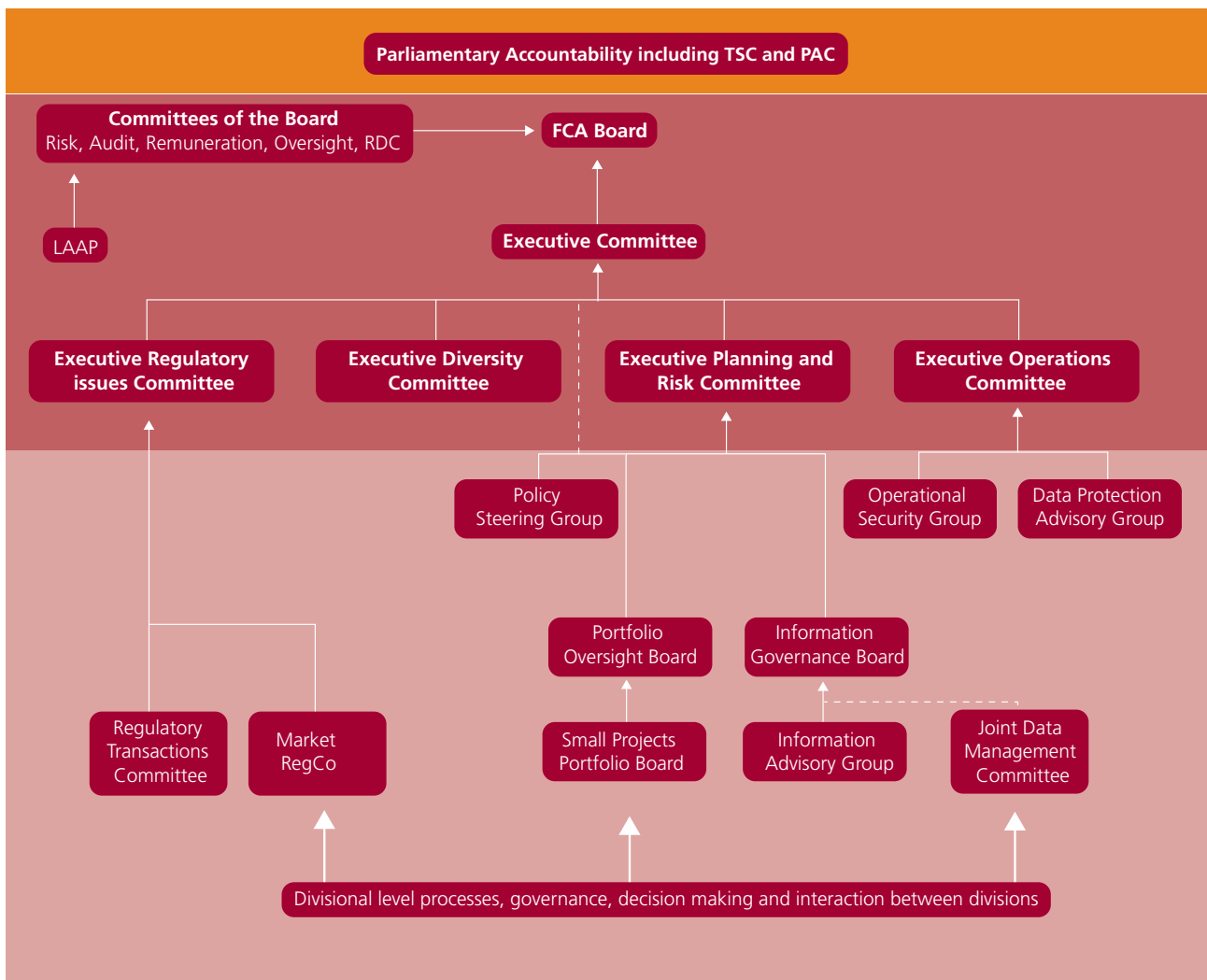
16. The Guidance Committee will provide a monthly summary to the Board of any guidance it has issued.

Other Matters

17. The Guidance Committee will review its terms of reference at least annually and recommend any necessary changes to the Board.

FCA Executive Committee Structure

The organogram below shows the FCA corporate governance structure as at legal cutover (1 April 2013).



Financial Conduct Authority



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25 The North Colonnade Canary Wharf London E14 5HS
Telephone: +44 (0)20 7066 1000
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