

**Minutes of a meeting of the Board of Directors of the Company
held on 1 November 2012 in the Codrington Room
at the Corinthia Hotel, Whitehall Place, London, SW1A 2BD**

PRESENT:	Baroness Hogg	Chairman
	Glen Moreno	Deputy Chairman (by telephone)
	Stephen Haddrill	Director & Chief Executive
	Richard Fleck	Chairman, Conduct Committee
	Jim Sutcliffe	Chairman, Codes & Standards Committee
	Mark Armour	Non-executive Director
	Peter Chambers	Non-executive Director
	Elizabeth Corley	Non-executive Director
	Gay Huey Evans	Non-executive Director
	Sir Steve Robson	Non-executive Director
	Keith Skeoch	Non-executive Director
	Olivia Dickson	Chairman, Actuarial Council
	Nick Land	Chairman, Audit & Assurance Council
	Roger Marshall	Chairman, Accounting Council
	Paul George	Executive Director, Conduct
	Melanie McLaren	Executive Director, Codes & Standards
IN ATTENDANCE:	Anne McArthur	Secretary
	Mridul Hegde	Executive Director of Strategy
	Ashok Gupta	Actuarial Council Member (Item 3a)
	Robert Inglis	Project Director, APT (Items 4a and 4b)
	Paul Kennedy	Director, APT (Items 3a, 4a and 4b)
	Michelle Sansom	Director, Accounting (Item 4c)
	Jenny Carter	Project Director, ARPT (Item 4c)

1 MINUTES

- 1.1 The Board approved the minutes of the meetings held on 25 September 2012 for publication subject to amendments.

Matters arising

- 1.2 There were no matters arising.

Action points

- 1.3 The Board noted the action points.

2 CHIEF EXECUTIVE'S REPORT

- 2.1 Mr Haddrill introduced his report.

- 2.2 Discussion included the following reports, points and observations:

- The Competition Commission was expected to publish its preliminary findings on its audit market enquiry in January 2013 and the FRC would have the opportunity to respond;
- On audit and mandatory rotation/retendering, it was important to establish the up to date policy position of stakeholders and investors, in particular, in view of the recently stated positions of e.g. USS, the NAPF and Business Europe;
- On professional discipline, the Board noted that the disciplinary schemes had been amended to provide for the changes to the FRC structure and that the

second phase amendments had been the subject of consultation. They agreed with the proposal that the revised draft schemes should be published in advance of an open meeting and final approval of the schemes by the Board in the new year;

- On the Banking Commission consultation, it was noted that the culture within organisations might be an area of focus and that the FRC might consider what it could do to emphasise Code provisions with respect to board responsibility for values and standards in a company;
- On the AADB, the Board noted that the AADB had had its last meeting and that responsibility for the disciplinary schemes now rested with the FRC as reflected in the first phase amendments. On the unaccrued costs discussed at the Board's September meeting, the AADB Board had produced a report for the FRC: the contents were noted and it was agreed that a response should be sent recording the Board's disappointment, including in relation to the AADB Board's exercise of its responsibilities for monitoring cases and costs expenditure. The executive would report to the Audit Committee on the processes for instructing external providers and the FRC's internal controls and the Audit Committee would report to the Board.

2.3 The Board approved amendments to the memorandum of understanding with the Department for Business, Innovation and Skills subject to amendments to be approved by the Chairman.

2.4 The Board noted the Chief Executive's report, Outline Board Calendar 2012/13 and reports from the CC and CSC Chairmen.

3 STRATEGIC ISSUES

a. Morris: 7 years on

3.1 Ms McLaren introduced the paper which provided an update on delivery of the Morris recommendations and recommended a review of the work, role and skills of actuaries, the scope of standards and the international regulatory framework.

3.2 Following lengthy discussion the Board agreed to consider at its January 2013 meeting the extent of its responsibilities and whether those responsibilities were being fulfilled in the context of the modern environment and the scope and timing of any review.

3.3 The Board also agreed that the Conduct Committee should report at its December 2012 meeting on the up to date position in relation to the IFoA's response to the Professional Oversight Board's recommendations in 2009 in relation to the monitoring of actuaries and any other outstanding issues.

b. Influencing IFRS

3.4 Ms McLaren introduced the paper which recommended and sought Board views on the FRC approach to influencing IFRS.

3.5 The Board agreed the approach proposed but asked that the FRC also seek to influence the IASB on the standards previously issued but which, in the FRC's view, could be improved. The Board also noted the importance of the IASB conceptual framework and requested that the issue be tabled at a future meeting.

c. Prudence

- 3.6 Ms McLaren introduced the paper which discussed the role of prudence in accounting standards and proposed bringing the concept of prudence into the debate on the IASB conceptual framework.
- 3.7 The Board agreed the proposal and that the FRC approach should be promulgated.

d. Avoiding Over Regulation

- 3.8 The Board deferred the item to its next meeting.

4. CODES & STANDARDS**a. AS TM1**

- 4.1 Ms McLaren introduced the paper which invited approval of an exposure draft of AS TM1. The key amendment set out in the exposure draft was removal of the intermediate rate cap. Ms Dickson confirmed that the proposals were supported by the Actuarial Council. The Council had asked that a monitoring mechanism be put in place and that consideration be given in the exposure draft to requiring publication of rationales.
- 4.2 The Board approved publication of the exposure draft subject to Ms McLaren clarifying, to Ms Dickson's and Mr Hadrill's satisfaction, a mechanism to require publication of rationales.

b. Incentives

- 4.3 Ms McLaren introduced the paper which invited approval of amendments to the Pensions TAS. Ms Dickson confirmed that the proposals were supported by the Actuarial Council.
- 4.4 The Board approved the amended Pensions TAS.

c. FRS 100 and 101

- 4.5 Ms McLaren introduced the paper which invited approval of the two standards which, together with FRS 102 (which would be tabled for approval in January 2013), would constitute UK GAAP. Mr Marshall confirmed that the proposals were supported by the Accounting Council.
- 4.6 The Board approved FRS 100 and 101.

5. CONDUCT**a. Monitoring the work of Third Country Auditors**

- 5.1 Mr George introduced the paper which invited the Board to approve recommendations in relation to monitoring the work of third country auditors.
- 5.2 The Board approved the recommendations which were made following consultation for monitoring third country auditors of issuers from countries that were neither "equivalent" nor "transitional", so that the UK (and the FRC as the competent authority) could meet its obligations under the Statutory Audit Directive.
- 5.3 The Board requested that the wider issues in relation to this responsibility be deferred to its December meeting.

b. Scope of CRR and AQR activities

- 5.4 Mr George introduced the paper. The Board discussed the proposed scope of the FRC audit quality review and corporate reporting review work and were broadly

supportive of the scope and its application. The Board agreed the proposals subject to the remit in relation to pensions and charities recognising that this had the effect of increasing the number of firms within full scope to one more than proposed.

6. FRC RISK MANAGEMENT

6.1 The Board deferred the item to its next meeting.

7. ANY OTHER BUSINESS

7.1 The Board noted the timetable for the FRC Plan & Budget 2013/14 and specifically, publication of the draft Plan & Budget for consultation in January 2013 and publication of the final Plan & Budget and Levies in April 2013.

7.2 The Board approved the following appointments:

- Audit Committee – Mark Armour and Keith Skeoch from 1 January 2013
- Codes and Standards Committee - Steve Robson from 1 January 2013

and noted

- That Steve Robson's appointment to the Audit Committee would end on 31 December 2012
- The appointment to the Nominations Committee (in accordance with the terms of reference of that Committee) of: Mark Armour, Keith Skeoch, Gay Huey Evans, Olivia Dickson, Roger Marshall, Richard Fleck and Jim Sutcliffe.

7.3 The Board agreed amendments to Executive Committee Terms of Reference to provide for the FRC Directors of Strategy and Finance to be members of the Committee.

8. NEXT MEETING

8.1 Thursday, 13 December 2012