

Minutes

Meeting: FCA Board

Date of Meeting: 29 April 2021

Venue: Meeting held via Microsoft Teams

Present: Charles Randell (Chair) Alice Maynard
Liam Coleman Nikhil Rathi
Bernadette Conroy Tommaso Valletti
Jeannette Lichner Sam Woods

Apologies: Richard Lloyd

In attendance: Set out in Annex A

1 Quorum and declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 No interests were declared in the items to be discussed.

2 Report from the Chief Executive

- 2.1 Mr Rathi briefed the Board on a number of topical issues, including:
 - i. Financial Services Bill: The continued support being provided to HM Treasury in relation to the passage of the Bill including input relating to the position of borrowers with inactive lenders who are unable to access alternative mortgage offers. The structure and strategic outlook of the mortgage market was discussed, with reference to the 2019 Mortgage Market Study. The Board considered the strategic issues arising from the passage of the FS Bill and endorsed proactive engagement with HM Treasury on these.
 - ii. Non-bank finance: The systemic implications for regulators arising from a number of related issues were currently being considered by the Financial Policy Committee (FPC).
 - iii. Online platforms: The continued engagement with Google and other online Platforms to ensure that, as a minimum, financial promotions are approved or exempt in compliance with applicable financial promotions regulation.
-

- iv. Consumer issues: The engagement with the not-for-profit sector on consumer related issues, including online harms. The Board said it would welcome the opportunity to be involved in these interactions.
- v. Resource pressures: The presence and impact of the ongoing people stretch and related operational performance issues. The Board asked for a fuller discussion of these matters at the next meeting.

3 Report from the PRA

- 3.1 Mr Woods briefed the Board on the business of the PRA that was of relevance to the FCA.

4 2021 FCA Overall Employee Survey Results and Actions

- 4.1 The Board was briefed on the results of the 2021 employee survey and the resulting corporate survey action priorities. The Board was encouraged by the nature of the results, particularly given the challenges of the last year. The value of maintaining the momentum generated by the positive steps taken during this period was also considered. In support of this, it was noted that the corporate survey action priorities were aligned to the transformation cultural objectives to enrich and give focus to this agenda.
- 4.2 The Board **endorsed** the actions being taken in response to the survey results, including the additional PULSE survey, and welcomed the opportunity to further engage with and challenge the action planning process as it progressed. The Board considered the PULSE survey as an opportunity to assess the organisation's understanding of transformation and recognised the importance of its role in endorsing this agenda.

5 Legal Risk & Review of Regulatory Decisions Committee

- 5.1 The Board was briefed on the context surrounding the reviews of the organisation's legal risk appetite and the Regulatory Decisions Committee. The Board endorsed the proactive, decisive and timely use of the FCA's powers to tackle harm and recognised the cultural change required across the organisation to ensure that this is consistently achieved.

6 Legal Risk

- 6.1 The Board was briefed on the current organisational approach to legal risk, and on the concerns around whether the organisation has sufficient appetite for taking legal risk.
- 6.2 The Board recognised that legal risk was one of many factors to be considered when deciding on the appropriate action for the FCA to take. It was noted that the FCA operated within the rule of law and should not engage in actions which are not legally defensible. However, a willingness to take legal risk, especially in situations where the law is unclear or FCA action is intended to prevent imminent consumer harm, was entirely appropriate. The Board therefore did not consider that the existence of legal risk should prevent the FCA from taking such action.

- 6.3 The Board **supported** proposals to recalibrate the degree of legal risk the organisation is willing to take, how to implement this in practice and the inclusion of legal risk appetite/tolerance in the FCA's Own Risk framework.

7 Review of the Regulatory Decisions Committee

- 7.1 The Board was briefed on the origin and operation of the Regulatory Decisions Committee (RDC) and the findings of the accompanying review. In considering the conclusions of the review, the Board commended the comprehensive approach of the RDC in delivering the obligations set out under FSMA. It was acknowledged that the RDC is the means through which the FCA delivers necessary safeguards to the subjects of investigations and that its work is of high quality. However, the concerns regarding the proportionality of the processes culminating in the RDC and the potential disconnection between strategic direction and legal risk appetite were acknowledged.
- 7.2 The Board recognised the cultural issues associated with the findings of the review and supported proposals to rebalance the decision-making framework and place a greater obligation on the executive to determine how regulatory decisions align with the organisation's strategy and legal risk appetite.
- 7.3 The linkages with the transformation agenda were also considered to ensure that the necessary cultural change, capabilities, assurance framework and success measures were developed. The importance of accompanying stakeholder communications, supporting this direction of travel, was also discussed. The Board therefore requested that these aspects be captured in a resourced execution plan.
- 7.4 The Board **supported** the recommendations of the RDC review, subject to the development of an execution plan.

8 2021/22 Budget

- 8.1 The Board was briefed on how the 2021/22 budget allocations aligned to the FCA's key own risks as well as the broader fiscal risks facing the FCA.
- 8.2 The Board was reminded of the transitional nature of the 2021/22 budget and the intention to commence a new business planning process, aligning financials to the organisational strategy, in the autumn.
- 8.3 In reviewing the risks, the Board considered the ongoing people stretch and the associated operational implications. The role of contingency and overdraft funding, including the required robustness of the accompanying approach to allocation and subsequent reporting, was also discussed.
- 8.4 The Board **noted** the approach to 2021/22 budget allocations, the key fiscal risks and funding options.
-

9 Rules and Guidance and Technical Standards to be determined

- 9.1 The Board resolved to **make** the following instruments:
- i. Bearer Certificates (Collective Investment Schemes) Instrument 2021
 - ii. UK Emission Trading Scheme Instrument 2021
 - iii. Technical Standards (Market Abuse Regulation) (UK Emissions Trading Scheme) Instrument 2021

10 Monthly Reports from the Independent Panels

- 10.1 The Board **noted** the reports from the Independent Panels and in particular their views on the transformation agenda and a New Consumer Duty.

11 Reports from Chairs of Board Committees

- 11.1 The Board **noted** the report from the Chair of the Remuneration Committee of the meeting held on 1 April 2021.

12 Decisions of the Board

- 12.1 The Board **approved** the minutes of the meeting held on 25 March 2021.
- 12.2 The Board **noted** the following decisions taken by written procedure:
- i. To amend Article 11 FCA Technical Standards on Strong Customer Authentication and Common and Secure methods of Communication (SCA-RTS) to:
 - Increase the single contactless payment threshold from £45 to £100; and
 - Increase the cumulative transaction value threshold from £130 to £300
 - ii. To appoint Jonny Timpson and Dr Rebecca Driver to the Consumer Panel.
 - iii. To approve the minutes of the FCA Board meeting held on 28 January and 25 February 2021.
- 12.3 The Board **noted** the action log.
- 12.4 The Board **approved** the re-appointment of Francis McGee as a member of the Consumer Panel, for a further period of three years, with effect from 1 May 2021.
- 12.5 The Board **approved** the re-appointment of Paul Smith as a member of the Smaller Business Practitioner Panel, for a further period of three years, with effect from 1 May 2021.
-

13 AOB

- 13.1 The Board recognised this to be the last meeting for Nausicaa Delfas, before being seconded to the Financial Ombudsman Service, and wished her well.
- 13.2 There being no further business the meeting closed.

Annex A***Attending for all, or substantially all of the meeting:**

Simon Pearce	Company Secretary
Megan Butler	Executive Director, Transformation (excluding item 4)
David Cross	Private Secretary, Chief Executive Office
Nausicaa Delfas	Executive Director, International
Sheree Howard	Executive Director, Risk and Compliance Oversight
Sean Martin	General Counsel
Sheldon Mills	Executive Director, Consumers and Competition
Ian Runacres	Private Secretary to the Chair
Emily Shepperd	Executive Director, Authorisations
Mark Steward	Executive Director, Enforcement and Market Oversight (excluding item 4)

Attending for the following items:

5	Michelle Brand	Manager, Human Resources
	Paula Pringle	Head of Department, Human Resources
	Siobhan Sheridan	Director, Human Resources
6	Jacqueline Keogh	Senior Advisor
	Daniel Thornton	Director, Enforcement and Market Oversight
	Clifford Smout	Senior Adviser
7	Jacqueline Keogh	Senior Advisor
	Daniel Thornton	Director, Enforcement and Market Oversight
	Clifford Smout	Senior Adviser
8	Jacqueline Keogh	Senior Advisor
	Daniel Thornton	Director, Enforcement and Market Oversight
	Clifford Smout	Senior Adviser
10	David Godfrey	Director, Finance
	Sonia Minards	Head of Department, Finance
	Keren Oser	Head of Department, Finance

*Relevant associates and professional business support staff were also in attendance.