

## Minutes

Meeting:	FCA Board	
Date of Meeting:	29 & 30 March 2017	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	John Griffith-Jones (Chair)	
	Andrew Bailey	Ruth Kelly
	Catherine Bradley	Jane Platt
	Amelia Fletcher	Sam Woods
	Bradley Fried	Christopher Woolard
In attendance:	Set out in Annex A	
Apologies:	Sarah Hogg	
	Christopher Woolard <i>(for 29 March only)</i>	

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### ***Business conducted on 29 March 2017***

#### **1 Quorum and Conflicts**

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 Except as recorded below, there were no declarations of interest made in respect of any matter(s) to be considered at the meeting.
- 1.3 The Chairman welcomed Nick Stace to the Board meeting. Mr Stace had been appointed as a Board member from 1 April 2017 and was attending the meeting as an observer. The Board agreed that Mr Stace would join the External Strategy and Risk Committee once his term commenced.

#### **2 FCA 2017/2018 Fees**

- 2.1 The Board noted that in February, it had substantially agreed for consultation the basis for recovering the 2017/18 Annual Funding Requirement (AFR), but had asked the Executive Committee to review the impact on firms arising from the cost of implementing Payment Services Directive 2 (PSD2). The Board noted that the estimated cost of implementing PSD2 was £6m and that the project was not being treated as a scope change, although the costs would be recovered from the G fee block.
- 2.2 The Board was informed that it was proposed to recover approximately £3m in 2017/18 through increases in both minimum/flat fees and variable fees, weighting the recovery to the larger payment systems firms. It was noted that firms should be expecting the

increase in fees given the introduction of PSD2 and that the fee was pro-rated based on income from PSD activity.

- 2.3 The Board was also informed that the forecast underspend against the 2016/17 budget, together with an estimated £4.5m over-collection of the AFR, would result in an increase in Ongoing Regulatory Activities (ORA) reserves of c. £20 - £24m. It was noted that the Board had previously agreed to use the underspend to fund a £10m additional pension deficit payment towards the increase in the 2017/18 pension contribution. In view of the range of potential risks in 2017/18, including withdrawal from the EU, it was proposed to take the balance to reserves.
- 2.4 After discussion, the Board approved the proposals set out in paragraph 2.1 of paper FCA(17)41.

### **3 Code of Conduct Disclosures**

- 3.1 In view of recent external events, the Board considered the operation of the Code in respect of conflicts of interest.
- 3.2 The Board noted that although there was no evidence that the code was not working as it should, a working group had been established, headed by the Chief Operating Officer and the Company Secretary, to look at current processes, propose enhancements and prepare communications for staff. The working group was asked to report back to the May meeting of the Board.

### **4 Minutes of the FCA Board meeting**

- 4.1 The Board approved the minutes of the FCA Board meeting held on 22 and 23 February 2017.

### **5 Draft Committee Minutes for noting**

- 5.1 The Board noted the draft minutes of the Financial Ombudsman Service (FOS) Oversight Committee meeting held on 14 February 2017, subject to a minor clarification on paragraph 2.7.
- 5.2 The Board noted the draft minutes of the Money Advice Service (MAS) Oversight Committee meeting held on 21 February 2017.
- 5.3 The Board noted the draft minutes of the External Risk and Strategy Committee (ERSC) meeting held on 16 February 2017. It was noted that as Ruth Kelly had been unexpectedly unable to attend the meeting, meaning it had not been quorate, she had subsequently confirmed her agreement with the decisions taken on the day. These would be ratified at the next meeting of the committee.
- 5.4 Following on from the discussion at the ERSC meeting, the Board received an update on the organisation's proposed move to Stratford, planned to commence in May 2018. It was reported that the project had three main strands: the building, technology and human resources/people policies. 'Move makers' had been successfully mobilised from across the organisation to act as conduits between the project team and all staff and there was a strong emphasis on listening to staff views.
- 5.5 It was confirmed that security was being discussed at Executive Committee and that the project remained within the agreed budget. The Board was advised that the ERSC had been encouraged with progress to date on the project whilst acknowledging that there was more work to be done.

## **6 Oral updates on meetings**

6.1 The Board received an oral update on the Audit Committee meeting held on 8 March 2017 and the following points were highlighted:

- The committee had received a draft three year internal audit plan. There was also a general discussion on how risks were identified and monitored. The committee had also received the most recent internal audit reports and discussed the significant findings.
- The Chief Information Security Officer had attended the Committee to discuss cyber security. This would be kept under review by the Committee.

6.2 The Board received an oral update on the Payment Systems Regulator (PSR) Board meeting held on 22 March 2017 and the following points were discussed:

- The PSR Board had agreed to recommend the re-appointment of Stephen Locke as chair of the PSR Panel for a further term, subject to support from panel members. It had also been agreed to ask some panel members to extend their term, while advertising some posts to allow for a refresh of the membership.
- The PSR Board had agreed the direction of travel in respect of the New Payment Systems Operator.

## **7 Matters arising**

7.1 The Board noted progress with the matters arising from previous meetings.

7.2 In respect of the external Board evaluation, it was agreed that Boardroom Review Ltd, which had conducted the exercise in 2015, should be invited to undertake a further evaluation in 2017. It was agreed that, in line with previous practice, the resulting report would be published.

### ***Business conducted on 30 March 2017***

## **8 Report from the Chief Executive**

Andrew Bailey presented his report.

It was noted that the Russian 'Laundromat' money laundering scheme had been the subject of a recent Guardian article following a leak of data to the Organised Crime and Corruption Reporting Project. Mr Bailey outlined the work that the FCA was undertaking in this area.

## **9 Report from the PRA**

Sam Woods presented his report and highlighted the following issues:

- The PRA was liaising with the FCA on issues pertaining to UK withdrawal from the EU.
- The PRA had been asked to give a view on events regarding declarations of interests at the Bank of England. It was confirmed that all regulated firms would be expected to have appropriate procedures in place. Bradley Fried asked that it be put on record that he was leading the inquiry at the Bank of England.

## **10 Monthly report from the Panels**

- 10.1 The Board reviewed the reports from the Practitioner Panel, the Smaller Business Practitioner Panel, the Listing Authority Advisory Panel and the Consumer Panel.
- 10.2 The Board discussed a number of the issues raised by the panels, including: the Consumer Panel's concerns about the distinction between "advice" and "guidance" in the context of the Financial Advice Market Review; and the Practitioner Panel's proposals regarding responding to cyber-attacks and their concerns about preparations for the implementation of MiFID II. The Chairman reported that the Listing Authority Advisory Panel had urged the FCA to communicate clearly that London would remain an open and attractive destination for listings during the period prior to withdrawal from the EU.

## **11 Update on UK withdrawal from the EU**

- 11.1 The Board noted developments on the process for UK withdrawal from the EU since it last received a paper in late 2016. The following points were noted and discussed:
- The organisation was working with HM Treasury and liaising with the Bank of England as appropriate.
  - The team presented an overview of: the approach to on-shoring of EU legislation which will use existing FCA governance and close collaboration between FCA and HMT; operational implications, and stakeholder communications. Changes would likely be required to UK legislation and the FCA's Handbook: these would be escalated to the appropriate committee, depending on their significance.
  - The general approach proposed by government, as set out in the recent White Paper, was to preserve the substance of the EU law and to "onshore" it into UK law. The work would be a substantial task for the organisation and staff were already liaising with HM Treasury and other agencies and providing analysis of what would be required. The FCA was also considering the work required to amend the Handbook to reflect the UK's departure from the EU.

## **12 Sector View: Wholesale (Transaction Services & Wholesale Lending)**

- 12.1 The Board received the wholesale financial markets sector view for transaction services and wholesale lending and noted that this was the last of the first round of Sector Views. The following points were discussed:
- Transaction services and wholesale lending differed from many other sector views in that they are largely comprised of activities which fall outside the FCA's regulatory perimeter. The FCA's regulatory remit enables it to act beyond the perimeter, such as through the use of its competition powers, money laundering regulations and, in some cases, its Principles for businesses. The challenge of determining to what extent the FCA should address issues arising outside the perimeter through the use of these powers was discussed.
  - The Sector View's assessments of financial crime and stability and resilience, support the FCA's existing cross-sectoral priorities in these areas.
  - It was also noted that the Sector View team was planning to explore further the varying level of users' sophistication in the syndicated loan market.
- 12.2 After discussion, the Board supported the overall assessment of the sectors and the broad approach to mitigating risk.

### **13 Financial Ombudsman Service Budget and Business Plan**

- 13.1 The Board noted that the draft budget and business plan had been reviewed by the Oversight Committee. The Board also noted that there had been some reductions in the final figures since consultation due to changes to the timeline for the FCA's Payment Protection Insurance (PPI) policy statement.
- 13.2 The Board **approved** the FOS budget, the business plan for 2017/18 and the making of the FEES Manual (Financial Ombudsman Service case fees 2017/18) instrument 2017 by FOS.

### **14 Money Advisory Service Budget and Business Plan**

- 14.1 The Chairman declared an interest as he is a trustee of National Numeracy, one of the charities that MAS planned to support in 2017/18.
- 14.2 The Board noted that the draft budget and business plan had been reviewed by the Oversight Committee and had been subject to consultation between December 2016 and February 2017. Responses had been broadly positive and no substantial changes had been made. The budget was flat at £75m in total (£48m for debt advice and £27m for money advice).
- 14.3 The meeting discussed the processes in place to monitor the performance of MAS and noted the challenges faced in trying to measure progress in absolute terms.
- 14.4 The Board **approved** the MAS budget and business plan for 2017/18.

### **15 FCA External Business Plan including Publication of Sector Views**

- 15.1 The Board noted that the business plan was due for publication on 18 April 2017, alongside the Mission, the Sector Views and the Fees consultation.
- 15.2 The Board commented that the whole suite of documents were consistent and effective. The Board recognised that the commitments to publish several documents recently was positive in terms of the organisation's transparency, but needed to be managed in terms of workload.
- 15.3 It was noted that the Sector Views had been prepared for publication. Future business plans would continue to be structured by sector.
- 15.4 After discussion, the Board:
- a) approved the Business Plan for publication, subject to any final comments.
  - b) Agreed that the Executive Committee could finalise the Sector Views for publication.
  - c) Authorised the Chief Executive and the Chairman to finalise the documents.

### **16 2017/18 Budget Final Sign off**

- 16.1 The Board received the final draft FCA budget for 2017/18 and noted the final outcomes from the budget process. The Board noted that the previously agreed inflation rate of 1% used to keep the budget flat in real terms had resulted in a 2017/18 Ongoing Regulatory Activities (ORA) budget of £508m (compared to a 2016/17 ORA budget of £502.9m).
- 16.2 The Board was informed that divisional plans for 2017/18 had identified costs of £2.5m related to incremental resources for EU withdrawal which the Board had previously agreed should be kept outside the ORA budget as a separate element of the Annual Funding

Requirement (AFR). As a result, and after including scope change recoveries of £16.4m in line with 2016/17, the AFR for 2017/18 was £526.9m (compared to the 2016/17 AFR of £519.3m).

- 16.3 The budgeted full-time equivalent (FTE) headcount was 3,761 compared to an adjusted 2016/17 budget of 3,648. The variance of 113 represents approved divisional requirements of 19 FTE, EU Withdrawal resources of 25 FTE and an increase in assumed project funded resource of 69 FTE.
- 16.4 The capital budget was £102.6m. This includes approximately £60m in respect of fit-out costs for the new Stratford office that is expected to be funded externally, the costs of which will be recovered against the rent free period. The balance of £42.6m is broadly consistent with the previous year.
- 16.5 The Board noted that the agreed additional £10m contribution to the Pension Plan had been funded in advance for 2017/18 but could exert a cost pressure in future years.
- 16.6 The Board **approved** the budget for 2017/18.

## **17 Employee Survey Results 2017**

- 17.1 The Board received the results of the 2017 employee survey and noted and discussed the following points:
- There had been an 80% response rate and overall the results were positive. There had been an increase in neutral answers, due in part to the different approach of the new survey provider.
  - In conclusion, the Board encouraged the executive to be ambitious about improving the scores in future and to reflect on the most appropriate organisations to be used as benchmarks.

## **18 MiFID II Policy Statement I**

The Board noted and discussed the following points:

- To enable implementation of the Markets in Financial Instruments Directive (MiFID) II by 3 January 2018, changes to the rules will need to be made by 3 July 2017. Accordingly, two policy statements needed to be published on 31 March and 28 June respectively.
- MiFID II introduced measures designed to improve investor protection and promote market integrity. The policy statements were for agreement pending full legislation from the Treasury and covered market issues and systems and controls for investment firms. They also allow charging for authorisation for new activities under MiFID II.
- The Executive Committee had approved publication of a further consultation on MiFID II in respect of non-discretionary changes to parts of the Handbook dealing with penalties and enforcement and revisions of the conduct rules for Occupational Pension Scheme firms on 31 March.
- The Board **approved** the recommendations in the paper.

## **19 Mission Update and Consultation feedback**

The Board received feedback from the consultation on the Mission and an update on the plans. The Board authorised the Chief Executive to finalise the documents.

## **20 Rules & Guidance to be determined**

20.1 The Board resolved to make the seven instruments set out in Annex B and agreed in principle the wording of two near-final instruments, to be made at a later date by written resolution. The Board also approved the making of one instrument by the Financial Ombudsman Service.

## **21 Decisions of the Board**

21.1 The Board noted the decisions taken on 1 March 2017 relating to Payment Protection Insurance and on 6 March 2017 relating to the Lifetime ISA.

21.2 The Board approved:

- a) the appointment of Charles Counsell OBE as the Chief Executive Officer of the Money Advice Service from a date to be confirmed until June 2019 or the date on which the Single Financial Guidance Body goes live, whichever is the earlier;
- b) the appointment of Tulsi Naidu as a member of the FCA Practitioner Panel for three years, from 1 April 2017 to 31 March 2020; and
- c) the appointments of James Laing and Gary Admans as members of the Listing Authority Advisory Panel for three years, from 1 April 2017 to 31 March 2020.

## **22 Minutes of Executive Committee meetings**

22.1 The Minutes of ExCo meetings of the Executive Committee held on 17, 23 and 30 January and 7 February 2017 were noted.

## **23 Forward Agenda**

The Board noted the forward agenda.

## **24 Any other business**

24.1 There being no further business, the meeting closed.

**Angela Attah**

Deputy Company Secretary

## **ANNEX A: Attendees**

### **Attending all, or substantially all, of the meeting:**

Angela Attah	Deputy Company Secretary
Megan Butler	Director, Supervision, Investment, Wholesale & Specialists
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Sarah Day	Assistant Company Secretary
Nausicaa Delfas	Chief Operating Officer
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Nick Stace	Non-Executive Director designate

### **Attending for the following items:**

#### **29 March 2017**

3	David Godfrey	Director, Finance
	Mark Hunnable	Manager, Finance - Revenue

#### **30 March 2017**

11	Lee Foulger	HoD, EU & Global
	Ruth Doubleday	Manager, EU Planning & Coordination
	David Geale	Director, Policy
	Martin Boffey	Manager, GCD Investment, Insurance and Redress
12	Julia Hoggett	HoD, Wholesale Banking
	Jo Hill	Director, Supervision – Markets Intel & Data Analyst
	Gareth Thomas	Manager, House View Sector Team
13	David Geale	Director, Policy
	Cosmo Gibson	Manager, Redress
14	Andy Briscoe	Chairman, Money Advice Service
	Caroline Rookes	Chief Executive, Money Advice Service
	Jonathan Hollow	Corporate Strategy Manager, Money Advice Service
15	Jo Hill	Director, Supervision – Markets Intel & Data Analyst
	Jennifer Dalby	Manager, Business Planning & Prioritisation
	Richard Monks	HoD, Strategy Development
	Stephen Humphreys	HoD, Corporate Communications
16	David Godfrey	Director, Finance



	Richard Monks	HoD, Strategy Development
17	Marcus Adams	HoD, Reward & Performance
18	David Geale	Director, Policy
	Edwin Schooling Latter	HoD, Markets Policy
	Stephen Hanks	Manager, MiFiD Coordination
19	Richard Monks	HoD, Strategy Development
	Alex Roy	Manager, Strategy & Competition, Strategy Development

Other relevant associates and technical specialists also attended the meeting.

## **ANNEX B: Resolution**

***The Board of the Financial Conduct Authority resolved to make the following instruments:***

Training and Competence Sourcebook (Qualifications Time Limits and Qualification Amendments No 16) Instrument 2017 (2017/13)

Fees (Miscellaneous Amendments) (No 10) Instrument 2017 (2017/14)

Financial Services Compensation Scheme (Management Expenses Levy Limit 2017/18) Instrument 2017 (2017/15)

Fees (Payment Systems Regulator) Instrument 2017 (2017/16)

Supervision Manual (Reporting No 4) Instrument 2017 (2017/17)

Disclosure Guidance and Transparency Rules Sourcebook (Miscellaneous Amendments) (No 2) Instrument 2017 (2017/19)

Fees (MiFID 2 Application Fees) Instrument 2017 (2017/20)

***The Board approved in principle the making of the following instrument and agreed that it be made at a future date by way of written resolution:***

Markets and Organisational Requirements (MiFID 2) Instrument 2017

Fees (Data Reporting Applications) Instrument 2017

***The Board of the Financial Conduct Authority hereby approves the making by the board of the Financial Ombudsman Service Ltd of that part of the following instrument that falls within the responsibility of that organisation:***

Fees Manual (Financial Ombudsman Service Case Fees 2017/18) Instrument 2017 (FOS 2017/2)