

Minutes

Meeting: FCA Board

Date of Meeting: 27 July 2023

Start time: 09:00

Venue: Meeting held in Boardroom and via Microsoft Teams

Members Present: Ashley Alder (Chair) Nikhil Rathi
Alice Maynard Richard Lloyd
Bernadette Conroy Sophie Hutcherson
Liam Coleman Sam Woods (absent from 13:00)

In attendance: Set out in Annex A

Presenters: Set out in Annex A

Apologies:

1 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 Reports from the Chairs of Board Committees

- 2.1 The Board **noted** the report from the Chair of the Oversight Committee following its meeting held on 11 July 2023.
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- 2.2 The Board **noted** the report from the Chair of the Audit Committee meeting following its meeting held on 13 July 2023.
- 2.3 The Board **noted** the report from the Chair of the Risk Committee, following its meeting held on 13 July 2023.
- 2.4 The Board **noted** the report from the Chair of the People Committee following its meeting held on 20 July 2023. The CEO noted that the FCA's Pay Gap Reporting was more transparent than ever, significant progress had been made and assured the Board that the Executive was very focused on making further improvements in the FCA's pay gaps.
- 2.5 The Board **noted** the verbal update from the Chair of the Policy and Rules Committee meeting held on 26 July 2023.

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, in particular the recent FPC/PRA stress tests and the FPC's Financial Stability Report.

4 Report from the Chief Executive

- 4.1 Mr Rathi and members of the Executive briefed the Board on a number of topical issues, including:
 - A. The forthcoming FCA report into the cash savings market. The Board also discussed the impacts of the Consumer Duty, the overall funding sources for banks, the challenges and ways to overcome customer inertia, differences between open and closed books, and that competition in the market needs to drive good outcomes.
 - B. The forthcoming amendments to the Share Trading Obligation and Derivatives Trading Obligation, in light of legislative changes which are coming into effect in August. This will require an amendment to certain directions given previously by the FCA, which will be done by the Executive Director, Markets and International.
 - C. A litigation challenge to the FCA's Handbook Tender. The Board **agreed** to defend the claim brought against the FCA and **delegated** the decisions on litigation to the Executive Director, Consumers & Competition and to the Chief Operating Officer, jointly.
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- D. Timing and progress on amendments to the Bonus Cap.
- E. The annual discussion of the perimeter with the Economic Secretary to the Treasury which, this year, took place as a short part of a wider bilateral conversation. Points raised by the FCA included cryptoassets, buy now pay later, overseas persons exemption, investment consultants and high-risk non-financial gambling products. While there was no substantive discussion of these points during the meeting, the Minister said he would provide a response after the meeting.

5 The FCA's Approach to Artificial Intelligence (AI)

- 5.1 The Board **discussed** the FCA's emerging approach to AI. In particular, the Board:
 - A. Noted the CEO's recent speech on the topic.
 - B. Noted that integration of AI into the regulatory landscape required a global framework and international engagement.
 - C. Raised the question of how one could "foresee harm" (under the new Consumer Duty), and also give customers appropriate disclosure, in the context of the operation of AI. The Board understood that there could be a distinction between using AI for customer service and using it to assist with customer decisions.
 - D. Discussed the FCA's own resourcing and capability on AI.
 - E. Considered it was important to discuss opportunities for achieving good outcomes for customers, integrity in markets, as well as efficiencies in firms.
- 5.2 The Board agreed that it should have a further discussion on AI at an appropriate point.

6 Finance report

Gateway Forms: Investment Case; and Procurement Schedule

- 6.1 The Chief Operating Officer described the four workstreams that comprise this investment.
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- 6.2 The Board agreed that when the investment case returns to the Board for consideration in November, the Board should examine the “value-for-money” analysis for the remainder of the work.
- 6.3 The Board **noted** the forward look of procurement and project Investment Case approvals that will require future Board approval.

7 Rules, Guidance and Technical Standards to be determined:

- 7.1 The Board **resolved** to make the following instruments:
- A. Financial Resilience Reporting (No 2) Instrument 2023
 - B. Technical Standards (Electronic Reporting Format) Instrument 2023
 - C. Disclosure Guidance and Transparency Rules Sourcebook (Electronic Reporting Format) Instrument 2023
 - D. Handbook Administration (No 66) Instrument 2023

8 Decisions of the Board

Minutes of previous Meeting

- 8.1 Mr Woods proposed certain amendments to better reflect his conflicts and recusals. The Board accepted these and **approved** the minutes of the meeting held on 28 June 2023. Mr Rathi proposed a small amendment to the Report from the Chief Executive.

Action Log

- 8.2 The Board noted the action log and **approved** the closure of completed actions.
- A. The Board **approved** the following actions for closure: #10, #30 and agreed to extend action #4.
 - B. The Board **approved** the extension of the following actions: #6.

Independent Panel appointments

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8.3 The Board **approved** the following Panel appointments:

- A. To re-appoint Kathryn McLeland as a member of the FCA Listing Authority Advisory Panel from 1 August 2023 to 31 July 2026.

Reappointment of Bill Castell as a Non-Executive Director (NED) of the Financial Ombudsman Services (FOS)

8.4 The Board **approved** Oversight Committee's recommendation to reappoint Bill Castell as a NED of the Financial Ombudsman Service for three years from 12 October 2023 to 11 October 2026.

8.5 The Board noted the risks of FOS Board Members reaching the ends of their terms simultaneously as a "cliff-edge". The Chair agreed this has been noted by the Oversight Committee and would be followed up through that Committee.

Term extension for RDC Chair

8.6 The Board **approved** the extension of the RDC Chair's term by 9 months until 30 September 2024.

Payment Systems Regulator Non-Executive Director Appointment

8.7 The Board **approved** the appointment of Joanna Whittington as a NED of the PSR for a three-year term effective from 01 September 2023.

Board Committee Membership and Terms of Reference

8.8 The Board **approved** the following:

A. Terms of Reference of the Performance Committee

B. Recommendations on Board Committee membership:

- **Performance Committee membership:** Sophie Hutcherson (Chair), Liam Coleman, Bernadette Conroy, Alice Maynard, Ashley Alder
- **Policy and Rules Committee membership:** appoint Sophie Hutcherson, appointment Aidene Walsh (once appointed as a Non-Executive Director of the FCA), Bernadette Conroy to stand down as a member
- **Oversight Committee:** appoint Liam Coleman

C. Minor amendments to the Risk Committee Terms of Reference

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Amendments to The With-Profits Memorandum of Understanding

- 8.9 The Board **approved** the proposed changes to the MoU and delegated the annual review of the MoU and its effectiveness to the Executive Director, Consumers & Competition.

FCA Pension Plan – Master Trust Annual Supervisory Return and Fit and Proper Person Assurance Process

- 8.10 The Board **agreed** the FCA Pension Plan Continuity Strategy document and delegated authority to the Chair of Audit Committee to sign the document on behalf of the FCA Board (as Scheme Strategists) for 2023 and future years.
- 8.11 The Board **noted** the annual process that monitors the fitness and propriety of the Board as a collective and as individuals has not been changed for this year and the Pensions Team will review the process for 2024.

9 Papers for noting

- 9.1 The Board noted the following:

Independent Panels Monthly Reports

- 9.2 The Board **noted** the Independent Panels Monthly Reports. The Chair agreed to respond in writing to the Consumer Panel on its report.

Overseas Funds Regime: Equivalence Report to HM Treasury

- 9.3 The Board **noted** the equivalence report to HM Treasury and expressed its support for the approach that the Executive was taking to providing advice to HM Treasury.

There being no further business the meeting closed.

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Annex A: Attendees, presenters and observers

In attendance:

Aidene Walsh – PSR Chair

Emily Shepperd – Executive Director, Authorisations

Jessica Rusu – Executive Director, Chief Data, Information and Intelligence Officer

Sarah Pritchard – Executive Director, Markets (absent from 11:45)

Sheldon Mills – Executive Director, Consumers and Competition

Sheree Howard – Executive Director, Risk and Compliance Oversight

Stephen Braviner Roman – Executive Director, General Counsel

Therese Chambers – Executive Director, Enforcement and Market Oversight

Steve Smart - Executive Director, Enforcement and Market Oversight

Miles Bake – Director, Company Secretary

Dave Eaton – Manager, Chair’s Office

Laura Tough – Manager, Chief Executive Office

Mike Bazzano - Manager, Chief Executive Office

Presenters and observers:

Item 1 - Declarations of interest	No attendees
Item 2 – Reports from Chairs of Board Committees	No attendees
Item 3 - Report from the PRA	No attendees
Item 4 – Report from the Chief Executive	No attendees
Item 5 - The FCA’s Approach to Artificial Intelligence (AI)	Henrike Mueller – Technical Specialist Ian Phoenix - Director
Item 6 - Finance report	Craig Chapman - Director
Item 7 – Rules and Guidance and Technical Standards to be determined	No attendees
Item 8 – Decisions of the Board	No attendees
Item 9 – Papers for noting	No attendees
