

## Minutes

Meeting:	FCA Board
Date of Meeting:	18 and 19 October 2017
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS
Present:	John Griffith-Jones (Chair) Ruth Kelly Andrew Bailey Jane Platt Catherine Bradley Nick Stace Amelia Fletcher Sam Woods (in part) Bradley Fried Christopher Woolard Sarah Hogg
In attendance:	Set out in Annex A
Apologies:	Sam Woods (18 October)

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### 1 Quorum and Declaration of Interests

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 None of the directors present declared any interest in the matters to be considered at the meeting.

### ***Business conducted on 18 October 2017***

### 2 Delivering Effective Supervision

- 2.1 Board members were taken through the approach used for the 2017 firm categorisation review and the proposed changes as a result of the Delivering Effective Supervision (DES) project.
- 2.2 The vision for DES was for supervision to be pre-emptive and collaborative using proven project methodology including milestones and deadlines. The need for a higher degree of consistency was also noted as a pre-requisite. The importance of understanding individual firms' culture, governance arrangements and business models was stressed, as this was the backdrop to many of the issues which arose in firms.
- 2.3 The Board was advised that impact rather than probability metrics were used to categorise firms this year, although other criteria would also be brought into play in deciding to include a firm within the fixed portfolio, such as using the public confidence test. The Board felt that it was important for all criteria to be documented.
- 2.4 All flexible firms would be analysed and clustered within a portfolio of firms with similar business models. Whilst there was recognition that this practice would need to evolve, clustering firms in this way would allow a better understanding of the specific issues which

they face. Each firm would have a designated point of contact for most issues. However, significant strategic issues or where there were concerns about viability or customer detriment would be escalated to the relevant head of department.

- 2.5 A single watch list would sit alongside the specific firm categorisation, to be used for direct intervention and enhanced supervision of any type of firm where required. This will replace the existing watch and enhanced supervision lists. It was explained that a formal decision would need to be taken before a firm was added to the list, including milestones to be met before they can be removed from the list.
- 2.6 It was noted that the resource model for supervision was likely to change over time with some fixed resource moving to work in the flexible space. The skills base of supervisors would also need to evolve and HR was developing specific technical competences for this staff group. The Board was assured that the business planning discussions would take account of the resource implications, which would be subject to prioritisation along with other work.
- 2.7 The Board queried how the messaging would be handled as some firms would move from the fixed to the flexible portfolio. It was noted that the new arrangements would be launched with the publication of the 'Approach to Supervision' document early in 2018. The opportunity to improve stakeholder relations was stressed and it was felt that the revised approach would facilitate more effective communication with all groups. It was also suggested that consideration be given to changing the terms 'fixed' and 'flexible' since the approaches were converging.
- 2.8 The Board complimented the team on the amount of work which had been done and **approved** the firm categorisation and the criteria used in the review.

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

- 3.1 The Board **approved** the minutes of the FCA Board meeting held on 11 and 12 September 2017.

### **4 Matters arising**

- 4.1 The Board noted the progress with the matters arising from previous meetings.
- 4.2 The Chief Operating Officer updated the Board in respect of the action regarding guidance on the use of personal technology in FCA meetings. It was noted that an overarching policy was being developed which would be presented to the March 2018 AuditCo meeting.

### **5 Draft minutes of meetings**

- 5.1 The Board noted the draft minutes of the PSR Board meetings held on 5 July and 13 September 2017.
- 5.2 The Board noted the draft minutes of the External Risk and Strategy Committee (ERSC) meeting held on 13 July 2017.
- 5.3 The Board noted the draft minutes of the Oversight Committee meeting held on 13 September 2017.

### **6 Committee meeting updates**

- 6.1 The Board received an update on the Audit Committee meeting held on 27 September 2017 from the Chair of the Committee.

- 6.2 The Board received an update on the ERSC meeting held on 10 October 2017 from the Chair of the Committee.
- 6.3 The Board received an update on the Nomination Committee meeting held on 18 October 2017 from the Chair of the Committee.
- 6.4 The Board received an update on the Remuneration Committee meeting held on 18 October 2017 from the Chair of the Committee.

### ***Business conducted on 19 October 2017***

## **7 Report from the Chief Executive**

- 7.1 The Board discussed Mr Bailey's report on developments since the last meeting including:
- RBS GRG – Progress is being made in finalising the FCA account of the RBS GRG review and the draft has been sent to Promontory and RBS seeking their consent to publish. The summary will be published once consent is received. The Treasury Committee has announced its intention to appoint a legal advisor to assess whether the FCA summary is a balanced and fair account.
  - Payment Protection Insurance (PPI) – Responses to the advertising campaign continued to be positive. The traffic on websites, including that of the FCA, continued to be high. It was noted that We Fight Any Claim (WFAC) had been refused permission to appeal its case for judicial review.
- 7.2 The Board **noted** the Chief Executive's report.

## **8 Report from the PRA**

- 8.1 Mr Woods presented a summary of the key issues on the PRA agenda of relevance to the FCA, including a recent visit to the United States with Andrew Bailey.

## **9 Monthly Reports from the Independent Panels**

- 9.1 The Board reviewed and discussed the reports from the Consumer Panel, Practitioner Panel, Smaller Business Practitioner Panel, Markets Practitioner Panel and the Listing Authority Advisory Panel.
- 9.2 The chair explained that the document setting out examples of where the Consumer Panel considered that a duty of care would improve consumer protections had been appended to the Panel's report at his request, as useful background to the discussion on the consumer approach paper. The Consumer Panel's views on the comparative treatment of existing and new customers was noted and it was suggested that this issue should be further explored.
- 9.3 The Board **noted** the monthly reports from the panels.

## **10 FCA Crisis Planning Policy**

- 10.1 The Crisis Planning Policy provides a framework for the FCA and PSR to prepare for and respond to local incidents and major operational or regulatory disruption and its approval is a matter reserved for the Board. The Policy was last approved in September 2016.
- 10.2 The Board was advised that the organisation had recently held two simulated crisis incidents to test the policy and framework. Assurance was given that third party suppliers were also subject to relevant testing. The Board noted that the framework was subject to review by internal audit biennially.

10.3 The Board **approved** the following revisions:

- Change of Policy Owner to the role of the Chief Operating Officer rather than a named individual
- Under Governance and Accountabilities, removal of references to reflect the disbandment of the Operational Security group (OSG) and clarify the reporting line to the Executive Committee (ExCo) twice per year.

## **11 Financial Services Compensation Scheme (FSCS) Funding review**

11.1 The presenting team reminded the Board of the work undertaken to this point, including attendance at several Board meetings and extensive discussions with the Financial Services Compensation Scheme (FSCS).

11.2 It was confirmed that the benefits of FSCS were still supported but both the scale and funding of the scheme remained an issue. A number of financial protection remedies had been considered as a way to reduce the cost, notably the use of professional indemnity insurance (PII) and how the operation of that market could be changed for intermediaries to ensure that more consumer claims are paid for by firms' insurers. It was noted that requiring product providers to contribute more to FSCS could incentivise them to create products which are better understood and benefit consumers more.

11.3 The Board expressed the view that messaging was very important as consumers needed to understand the difference between risk bearing and guaranteed products and that there would be an increased cost for the latter. It was queried what information consumers were being given at the point of sale and whether it was clear that changes could occur over the lifetime of the product.

11.4 The difference in compensation between annuities, which were fully covered, and draw down products, which as investments were subject to restricted cover, was noted by the Board. This was particularly illustrated by the new freedoms associated with pension products.

11.5 The importance of making information available for consumers in a clear and succinct format was stressed and it was noted that the harmonisation of limits would simplify issues. Work also continued with the FSCS to get a more comprehensible document explaining the cover provided.

11.6 Following further discussion the Board **agreed** the following proposals for discussion in the consultation paper

- Requiring certain personal investment firms to place funds in trust for the benefit of FSCS (where they cannot obtain PII cover for a product), or
- Requiring all personal investment firms to take out a surety bond in favour of FSCS.

11.7 The Board agreed the following proposals for consultation

- Merging the life and pensions and investment intermediation funding classes and leaving the rest of the structure as it is currently (with the addition of provider contributions to all of the intermediation classes);
- requiring product providers to contribute 25% to the intermediation classes; and
- Moving pure protection intermediaries from the Life and Pensions intermediation funding class to the General Insurance intermediation funding class.

11.8 The Board **approved** final rules for the proposals that were previously considered by ExCo and the Board in July.

## **12 2018/19 Budget Envelope and FCA Fiscal Health**

12.1 The Board was advised that the report was intended to give a broad update of the financial position in preparation for the planning round for 2018/19.

12.2 The following points were noted

- Broadly speaking work associated with withdrawal from the EU would be absorbed as 'business as usual' but there was scope for raising funding if required. The detailed operational costs of EU withdrawal would be worked up as part of the business planning exercise.
- The cash flow position remained well within the £150m overdraft facility.

12.3 The Board **noted** the report.

## **13 Approach to Consumers**

13.1 The Board received an update of progress made on the Approach to Consumers document since its September meeting. There had been significant changes to the document following comments from the Board, ExCo and the independent panels, although the core principles remained the same. It was noted that the current version of the document built on the Financial Lives Report.

13.2 There had been a range of opinions received during the drafting process and there was acknowledgement that it would be difficult to meet everyone's expectations.

13.3 The Board noted that the changes made since the previous draft was shared with it were positive and stressed the need to be open to making further changes as a result of the consultation exercise.

13.4 The following points were also made during the discussion

- It was felt that the complexities and challenges raised by the Consumer Panel should be acknowledged and openly addressed.
- The language could be revised to demonstrate that it was more of an evolving conversation than a set strategy.
- The emphasis should be on trying to achieve better consumer outcomes, enabling consumers to make appropriate informed decisions
- There would be value in seeking support from consumer organisations

13.5 Noting the planned publication date of 6 November 2017, the Board **approved** the document subject to the above comments and delegated final sign off to Andrew Bailey and Christopher Woolard. It was also noted that as part of the stakeholder engagement programme and to encourage participation in the consultation a conference is planned for November 30.

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

14.1 The Board **passed** the resolutions set out in Annex B.

## **15 Decisions of the Board**

15.1 The Board **approved**:

- the appointment of David Marlow and Paul Beasley to the Smaller Business Practitioner Panel from 1 November 2017 for a period of three years;
- the appointment of Dharshini David and Keith Richards to the Consumer Panel from 1 November 2017 for a period of three years;
- The appointment of Simon Pearce as a director of the FCA Pension Plan Trustee Limited with immediate effect for a period of three years; and
- that the 2014 Strategy be formally closed, on the basis that all of the remaining elements have been incorporated within 'business as usual'

## **16 Minutes of Executive Committee meetings**

16.1 The Board noted the minutes of the Executive Committee meetings held on 4, 6, 17, 24, 25 July 2017 and 1 August 2017.

## **17 Forward Agenda**

17.1 The Board noted the forward agenda.

**John Griffith-Jones**  
Chairman

## **ANNEX A: Attendees**

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

Angela Attah	Deputy Company Secretary
Megan Butler	Director, Supervision, Investment, Wholesale & Specialists
Vickiesha Chabra	Manager, Chairman's Office
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Nausicaa Delfas	Chief Operating Officer
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Mark Steward	Director, Enforcement and Market Oversight

### **Also attending for the following items:**

2	Chris McGrath	Head of Department, Central Support, Supervision – Investment, Wholesale & Specialist
	Paul Ullah	Technical Specialist, Framework & QA, Supervision – Investment, Wholesale & Specialist
	David Biggin	Manager, Programme Manager Group Support Services
10	Tim Wald and	Head of Department, Operations Services, Finance Business Services
	Peter O'Dell and	Manager, Corporate Protection & Resilience, Finance Business Services
11	David Geale	Director, Policy
	Richard Fox	Head of Department, PPGI, Strategy & Competition
	Cosmo Gibson	Manager, Redress, Strategy & Competition
	Clare Vicary	Technical Specialist, Redress, Strategy & Competition
	Pam Cross	Technical Specialist, GCD Investment, Insurance and Redress
12	Tina Archer	Manager, Consumer Contracts
	Venetia Jackson	Technical Specialist, GCD Investment, Insurance and Redress
	Philip Salter	Director, Retail Lending
13	David Godfrey	Director, Finance & Business Services
	Keren Oser	Manager, Finance & Business Services
14	Attricia Archer	Manager, Consumer Insight, Strategy & Competition
	Ruth Glazzard	Manager, Consumer Insight, Strategy & Competition

## **ANNEX B: Resolution**

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

Financial Services Compensation Scheme (Funding and Scope) Instrument 2017 (FCA 2017/58)

Occupational Pension Scheme Firm (Conduct of Business and Organisational Requirements) Instrument 2017 (FCA 2017/59)

Conduct of Business (Initial Public Offering Research) Instrument 2017 (FCA 2017/60)

Supervision Manual (Reporting No 6) Instrument 2017 (FCA 2017/61)

Listing Rules Sourcebook and Fees Manual (Redesignation and Miscellaneous Amendments) Instrument 2017 (FCA 2017/62)