

Minutes

Meeting: FCA Board

Date of Meeting: 15 November 2018

Venue: DeVere Venues, Devonport House, King William Walk, Greenwich, SE10 9JW

Present: Charles Randell (Chair) Amelia Fletcher
Andrew Bailey Ruth Kelly
Catherine Bradley Christopher Woolard
Amelia Fletcher Jane Platt
Sarah Hogg (from item 6 onwards)
Nick Stace
Sam Woods (except item 6)

In attendance: Set out in Annex A

Apologies: None

1 Quorum and declarations of interest

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

2 Minutes of the FCA Board meeting

- 2.1 The Board **approved** the minutes of the FCA Board meeting held on 25 October 2018

3 Matters arising

- 3.1 The Board **noted** the progress with the matters arising from previous meetings.

4 Report from the Chief Executive

- 4.1 The Board discussed Mr Bailey's report on developments since the last meeting, including:
 - The Board was updated on EU withdrawal contingency planning, including engagement with the Bank of England and HM Treasury (HMT). It was noted that in the event of disorderly market function or disruption to services provided to consumers, measures had been established to implement enhanced information gathering and to make interventions in response.

- Credit Information Market Study –the Board agreed to delay the launch of the market study terms of reference from February 2019 to June 2019. This was due to the reallocation of resources to the market study on general insurance pricing.
- High Cost Credit – the Board noted that Dear CEO letters had been issued to high cost credit firms requesting prompt action to consider whether their affordability assessments had met the FCA’s requirements and to inform the FCA of any difficulties in meeting their financial commitments.
- Cryptocurrencies - the Board noted that in October the Cryptoasset Taskforce published a report highlighting the UK’s policy and regulatory approach to cryptoassets. The Taskforce report had considered the policy and regulatory implications of distributed ledger technology, and at a high level set out some of the opportunities and risks cryptoassets present. The Board noted that the report highlighted some of the benefits, but concluded that substantial risks remained with the current generation of cryptoassets.
- The Board also noted the first report from the Staff Consultative Committee.

5 Report from the PRA

- 5.1 Mr Woods presented a high-level overview of the key strategic issues for the PRA.

(Sam Woods left the meeting and Sarah Hogg joined.)

6 Quarterly Performance Report Q2 2018/2019

- 6.1 Andrew Bailey reported that satisfactory performance and progress against the business plan had been made. He highlighted that the FCA was doing more on insurance pricing, including its supervisory work; and noted that the FATF review of the UK had resulted in a good outcome although there remained issues to address.
- 6.2 The Board noted the ‘FCA Run’ report updates on delivery of the Business Plan commitments, activity and outputs and performance by division. It also noted the plans to improve the report, focusing on an overall CEO’s overview, fewer divisional metrics and more information on outcomes for each sector as well as updates on the staff engagement survey, using key areas of focus for each division.
- 6.3 The Board welcomed the revised report and made a number of comments, including the need for the report to provide a greater review of the wider operations and performance of the FCA, including areas where attention was required. The Board also suggested that dashboard reporting on changes in the sector framework process, exception reporting and providing further information on operational plans for managing the organisation’s biggest risks would be useful. It was noted that the long term ambition was to provide more outcome-based reporting.

(Sam Woods returned to the meeting)

7 Monthly reports from the Independent Panels

- 7.1 The Board reviewed and discussed the reports from the Financial Services Consumer Panel (FSCP), Practitioner Panel (PP) and Smaller Business Practitioner Panel (SBPP). The Board discussed the following:
- the CP’s comments on the FCA’s mystery shopping exercise in its motor finance review, and its request to the FCA to act swiftly to address any detriment found. The CP also raised concerns about the regulatory perimeter for SME users of financial services, highlighting

the fact that many SMEs take out both regulated and unregulated products and would rarely know the difference.

- both the PP and SBPP discussed the work on the mortgage market, and while supporting the findings of the work, encouraged the FCA to make clear the impetus for such reviews to ensure it is focusing its resources on areas of greatest risk.

8 Personal Investment Firms' Professional Indemnity Insurance

- 8.1 The Board noted that in 2016, the FCA had launched a fundamental review of how the FSCS is funded. As part of the review, it was considered how the professional indemnity insurance (PII) market was working for Personal Investment Firms (PIFs) and whether it might be possible to reduce the FSCS compensation bill by ensuring that more claims are paid by insurers through PII.
- 8.2 The review had concluded that for PIFs that have not engaged in large scale mis-selling, PII is working effectively. The Board was informed that, over the past 10 years, 78% of claims submitted to PII insurers by PIFs were paid by a combination of PII and the excess. However, it was also apparent that in the past some PII providers have sought to limit their liability when the firm failed and prevented the FSCS from making a claim on the policy.
- 8.3 The Board recognised that, if the cost of compensation falls to the FSCS rather than the insurer, it is ultimately borne by those firms that remain in the industry and that spreading the risk across all surviving firms does not follow the 'polluter pays' principle.

9 Update on the International Division and EU Withdrawal

- 9.1 The Board was updated on the FCA's work for preparing for EU withdrawal, noting the report on managing potential severe outcomes of Brexit and related communications strategy. The Board was updated on the key issues that could impact each sector of the industry if the UK were to leave the EU next March without a deal or implementation period, noting in particular the implications for wholesale banks/markets and the insurance sectors.
- 9.2 The Board discussed the request from the Chair of the Treasury Select Committee to provide the FCA's views to the Treasury Select Committee after the outcome of negotiations was known and before Parliament votes on the deal. Andrew Bailey reported that the intention was to provide a description on the work being done by the FCA to prepare for all possible outcomes, a broad statement of the FCA's objectives and the importance for ongoing co-operation with the European Securities and Markets Authority (ESMA).
- 9.3 As part of the FCA's communications with industry regarding EU withdrawal, firms had been reminded of the need to prepare for a range of scenarios, including a no deal Brexit. Supervision continue to engage proactively with firms and a detailed set of key questions for firms to help them consider the impacts of Brexit had been published on the website.
- 9.4 High-level information was available on the FCA's webpages about how consumers could be impacted by Brexit. This explained how consumers might be affected in both a deal and no-deal situation and provided tips on how to avoid falling victim to potential scams. The Board stressed the need to understand consumer awareness and the effect multiple communications would have.

10 Rules and Guidance

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

11 Decisions of the Board

11.1 Conflict of Interests Policy

- **noted** the changes to the Code and **approved** the revised policy, including the re-designation as the Conflict of Interests Policy, for implementation with effect from 1 January 2019.
- **noted** the operational issues associated with extending the policy to contingent workers and **agreed** a longer timeframe of 6 months for extending to contingent workers, subject to further work and an impact assessment.

11.2 Bank Mandate Refresh

- **approved** the new mandate, including the following proposed changes within the mandate:
 - a. reduce the number of signatory panels from three to two;
 - b. new list of signatories; and
 - c. limits for the signatory panels.

12 Minutes of the Executive Regulation and Policy Committee (ERPC) Meetings

12.1 The Minutes of the ERPC meetings held on 23 July, 13 September and 1 October were noted.

13 Minutes of Executive Committee (ExCo) meetings

13.1 The Minutes of ExCo meetings held 25 September, 3 October and 17 October 2018 were noted.

14 Forward Agenda

14.1 The Board noted the forward agenda.

15 Any other business

15.1 There being no further business, the meeting closed.

Charles Randell
Chairman

ANNEX A

Attending all, or substantially all, of the meeting:

Alana Christopher	Deputy Company Secretary
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Nausicaa Delfas	Director, International
Georgina Philippou	Chief Operating Officer
Sean Martin	General Counsel
Simon Pearce	Company Secretary

Attending for the following items:

6	Genevieve Majoribanks	Head of Department – Strategy and Analysis Office
	David Godfrey	Director - Finance
	James Shafe	Technical Specialist – Reporting and Performance Measurement
10	Matt Brown	Manager – International Delivery
	Greg Sachrajda	Head of Department – International Delivery
	Nick Jeffs	Manager – EU Withdrawal Communications Team
	Lee Foulger	Head of Department - International
	Andrew Whyte	Director - Communications
11	Graeme McLean	Head of High Cost Credit Review
	Nisha Arora	Director - Consumer & Retail Policy
	Neil Marshall	Manager – High Cost Credit Review
	Adam Giles	Technical Specialist – Economic and Financial Analysis
	Graeme Reynolds	Head of Department - Economic and Financial Analysis
12	Graeme McLean	Director – Risk, Compliance and Oversight

Nisha Arora

Manager - Risk, Compliance and Oversight

Jesse Leary

Technical Specialist – Economic and Financial
Analysis

Neil Marshall

Manager – High Cost Credit Review

ANNEX B: Resolution

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

Professional Indemnity Insurance (Insolvency Exclusions) for Personal Investment Firms Instrument 2018 (FCA 2018/50)

High Cost Credit (Rent to Own Warranties) Instrument 2018 (FCA 2018/51)

Personal Current Accounts and Overdrafts (Information and Tools for Customers) Instrument 2018 (FCA 2018/52)