

Minutes

Meeting:	FCA Board
Date of Meeting:	24 and 25 April 2019
Venue:	12 Endeavour Square, London, E20 1JN
Present:	Charles Randell (Chair) Sam Woods (items 10-20) Andrew Bailey Christopher Woolard Amelia Fletcher (items 1-7 and items 11-20) Nick Stace Sarah Hogg (item 7) Richard Lloyd
In attendance:	Set out in Annex A
Apologies:	Catherine Bradley

1 Quorum and declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business.

2 Minutes of the FCA Board

- 2.1 The Board **approved** the minutes of the FCA Board meeting held on the 23 and 24 January 2019.

3 Matters arising

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

4 Monthly reports from the Independent Panels

- 4.1 The Board received the reports from the Consumer Panel, Practitioner Panel, Smaller Business Practitioner Panel and Markets Practitioner Panel. Members of the executive who had attended the respective panel meetings also briefed the Board on key issues highlighted in the reports.
- 4.2 The comments from the Consumer Panel and the Smaller Business Practitioner Panel on the Sector Views were noted. The Board supported publishing as much detail as possible in the Views while recognising the inevitable limits to what could be disclosed. It asked the executive to consider whether more comprehensive summaries could be provided.

5 2019 FCA Employee Survey

- 5.1 The Board received a presentation of the outcome of the 2019 FCA employee survey and discussed the results. The Board was pleased to note that there had been a positive improvement since last year, particularly in areas where investment had been made.

6 Cloud Resource Procurement: creation of a new framework agreement for BTS

- 6.1 The Board considered the proposal to create a new framework agreement for BTS Suppliers for the supply of Cloud resources. It recognised the merits of the proposal in terms of providing a strategic overview and control over the overall envelope of procurement, but sought reassurance on the governance in view of the proposed increase in authority delegated to the Executive Committee. It was agreed that a more forward-looking analysis of the longer-term commitment should be provided to the Audit Committee as part of its monitoring of the framework.
- 6.2 After discussion, the Board:
- noted the creation of a new procurement framework for cloud resources;
 - agreed to delegate authority to the Executive Committee to award of contracts within the framework, including those with a value exceeding £5m and up to £25m; and
 - agreed that reporting on the use of this framework would be presented quarterly to the Audit Committee.

7 Board Effectiveness Evaluation

- 7.1 The Board considered the findings from the effectiveness evaluation, noting that four main themes had emerged:
- a) Defining success and tracking performance
 - b) Managing agendas and areas of focus for the Board and committees
 - c) Oversight of major IT projects
 - d) Structure and remit of the Board committees
- 7.2 The Board discussed these areas and assessed changes to its operation that would enhance its effectiveness in the areas highlighted by the evaluation.

8 Report from the Chief Executive

- 8.1 The Board discussed Mr Bailey's report on developments since the last meeting, including:
- 8.2 Financial Ombudsman Service (FOS) Award Limit - the Board noted the update on the effect of increasing the FOS award limit, including issues around the availability of professional indemnity insurance.
- 8.3 Mini-bonds - the Board noted the work that had taken place. This included the two Dear CEO letters which had been circulated to provide clarity to firms about the FCA's expectations on firms' approvals of financial promotions and the FCA's expectations on promotions in regulated and unregulated business. The Board also considered the work underway to assess the spectrum of mini-bond products and noted that many products fell outside the FCA's regulatory perimeter.
- 8.4 The Board discussed various workstreams to address concerns about certain types of mini-bonds and high-risk investment products. It considered whether to pause wider work on mini-bonds while the review of London Capital & Finance was conducted but agreed that, whilst the FCA must not pre-empt the findings of the review, it was important to address

issues that were already apparent. The Board asked for an appropriate communications strategy to be developed and shared with it.

9 HM Treasury Directed Review of London Capital & Finance plc (LCF)

- 9.1 The Board noted that, following its request to HM Treasury to direct the FCA to conduct an investigation under Section 77 of the Financial Services Act 2012 into the regulation of LCF and the system of regulation for mini-bonds, on 1 April 2019 the Economic Secretary to the Treasury had confirmed that an investigation into the failure of LCF under Section 77 of the Act was in the public interest. HM Treasury had agreed that the review would be conducted by an independent reviewer appointed by the FCA, but approved by HM Treasury.
- 9.2 The Board noted that, because the scope of the review was expected to consider the Board's prior oversight of relevant issues, it would be appropriate to form a committee of the Board to oversee the FCA's co-operation with the review. The members of the committee would be Board members elected after the events in question to avoid any perceptions of a conflict of interests. The Board agreed that, in line with the approach it had taken with other regulatory reviews, the committee should have delegated decision-making powers.
- 9.3 The Board:
- approved the creation of a committee with delegated decision-making powers
 - delegated the selection and composition of the committee to the Chair

10 Report from the Prudential Regulation Authority (PRA)

- 10.1 The Board **received** an update from Mr Woods on matters relating to the PRA.

11 Regulatory Perimeter: Reporting on issues outside our remit

- 11.1 The Board was presented with a discussion paper on proposed public reporting on the FCA's perimeter and process for considering emerging perimeter issues when preparing sector strategies.
- 11.2 The Board discussed the purpose of reporting on issues outside the FCA's perimeter. It noted that defining the regulatory boundary was complex and had the potential to cross over into social policy but it was important to clarify the FCA's remit for many reasons including consumer protection.
- 11.3 The Board **agreed** that the reporting should explain what the perimeter is and the FCA Mission in that context with a focus on regulated activities. It should be clear that as a conduct regulator the FCA was horizon scanning and identifying areas where risks crystallise outside its perimeter. The Board agreed that there should be a short section within the annual report on the perimeter with either an annex or separate report containing more detailed analysis. The Board agreed that the annual review of the perimeter and risk appetite choices made should be embedded in the business planning process.

12 PPI complaints deadline; latest results and update on final campaign plan

- 12.1 The Board was informed of the strategy for the final stage of the campaign. It discussed the final ad campaign creative treatment which was presented to it, and received reassurance that Clearcast had been consulted during the course of creative development. Further information on the additional steps the campaign team had taken to ensure the ads were family friendly were also discussed.
- 12.2 The Board discussed the methodology for evaluating the campaign's performance.
- 12.3 The Board **noted** the update.

13 Approach to Assessing Adequate Financial Resources

- 13.1 The Board was presented with an updated proposal on the approach to assessing adequate financial resources. The guidance aimed to take a proportionate and risk based approach to capital requirements.

14 Update on the High Cost Credit Review

- 14.1 The Board received an update on the key issues raised in consultation on the overdrafts market and Buy Now Pay Later (BNPL) offers.

15 Update on the regulation of Proxy Advisors

- 15.1 The Board noted progress on the Statutory Instrument that HM Treasury had developed to give effect to the revised Shareholder Rights Directive (SRD II) provisions on proxy advisers, and the steps that the FCA had taken to manage the risks of being named competent authority in the initial regime.

The Board also commented on the case for fuller regulation of proxy advisers; the challenges in designing an effective regime; and how the FCA should encourage HMT to proceed in this sector once SRD II has been implemented.

16 Economic downturn scenario paper

- 16.1 The Board discussed a scenario paper which considered the potential impact an economic downturn would have on the sectors the FCA regulated; and used three case studies to help the Board consider whether it was suitably prepared for such a downturn.
- 16.2 The Board agreed that scenario planning was a useful way to ensure the FCA was prepared for any serious situations. The Board asked for a proposal to be developed which identified other potential scenarios which could be considered for discussion at future meetings.

The Board agreed it was content for the paper to be shared with the Prudential Regulation Authority, the Financial Ombudsman Service and the Financial Services Compensation Scheme. The Board requested a future update be brought to a future meeting which considered how the scenario might be shared more widely, where intensification of focus might help and what contingency planning had been conducted.

17 Papers for noting

- 17.1 The Board **noted**:
- the update from the External Risk and Strategy meeting held on 10 April 2019
 - the update from the Oversight Committee (Financial Ombudsman Service) meeting held on 16 April 2019
 - the Audit Committee minutes of the meeting held on 18 March 2019
 - the Payment Systems Regulator minutes of the meeting held on 21 March 2019
 - the General Insurance pricing practices market study paper

18 Decisions of the Board

- 18.1 The Board **agreed** to reappoint:
- Aileen Taylor as a member of the Listing Authority Advisory Panel (LAAP) from 1 June 2019 to 31 May 2020

- Amanda Thomas as a member of LAAP from 1 June 2019 to 31 May 2022
- Ian Hart as a member of LAAP from 1 June 2019 to 31 May 2022

18.2 The Board **agreed** to appoint Christopher Hill as a member of the FCA Practitioner Panel from 1 May 2019 to 30 April 2022

18.3 The Board was briefed on the process to recruit a new Chair of the Financial Ombudsman Service and noted that the selection panel had concluded that there were two almost equally ranked appointable candidates. It was noted that the appointment was for the FCA, with the approval of HM Treasury, and that the Economic Secretary to the Treasury had requested a choice of candidates to consider. The Board therefore **agreed** to put forward to HM Treasury the two candidates with a recommendation that reflected the panel's preference.

Decisions taken outside of the meeting

18.4 The Board noted that on 9 April 2019 it had resolved to make the following instruments:

- Financial Conduct Authority Technical Standards (Bank Recovery and Resolution Directive) (EU Exit) Instrument 2019 (FCA 2019/57)
- Financial Conduct Authority Technical Standards (Capital Requirements Directive and Regulation) (EU Exit) Instrument 2019 (FCA 2019/58)
- Financial Conduct Authority Technical Standards (Financial Conglomerates Directive) (EU Exit) Instrument 2019 (FCA 2019/59)
- Technical Standards (Markets in Financial Instruments Directive) (EU Exit) (No 3) Instrument 2019
- Technical Standards (European Market Infrastructure Regulation) (EU Exit) (No 3) Instrument 2019
- Technical Standards (European Market Infrastructure Regulation) (EU Exit) (No 4) Instrument 2019

18.5 The Board noted that on 9 April 2019, in connection with the Temporary Transitional Power Final Directions, it had:

- noted the additional areas to which the temporary transitional power was being applied;
- approved publication of the modified directions; and
- delegated authority to Policy Director level the ability to approve publication of three additional directions.

19 Papers to be noted

19.1 The Minutes of Executive Committee meetings held on 8, 25 and 29 January and 5, 2, 8, 15 and 19 February 2019 were noted.

19.2 The Minutes of Executive Risk and Policy Committee meetings held on 18 and 21 February 2019 and 4 and 7 March 2019 were noted.

19.3 The Board noted the forward agenda.

20 Any other business

20.1 There being no further business, the meeting closed.

Charles Randell
Chairman

ANNEX A: Attendees

Attending all, or substantially all, of the meeting:

Megan Butler	Director, Supervision – Inv., Wholesale and Specialist
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Nausicaa Delfas	Director, International
Sean Martin	General Counsel
Georgina Philippou	Chief Operating Officer
Simon Pearce	Company Secretary
Berenice Seel	Company Secretarial Assistant

Attending for the following items:

5	William Hague	Director Human Resources
	Paula Pringle	Technical Specialist Human Resources
6	Martin Bellamy	Director BTS
	James Anderson	Head of Department BTS
	Jo Burton	Manager IS Procurement
7	Catherine Stalker	Independent Audit
	Jonathan Hayward	Independent Audit
8.4	David Geale	Director Retail Banking
	Jane Moore	Manager Client Assets Resolution
	Chris Hamilton	Manager Press Office
	Daniel Holmes	Technical Specialist Markets Policy
	Matt Evans	Technical Specialist GCD
	Sheree Howard	Director Risk & Compliance Oversight

9	Sheree Howard	Director Risk & Compliance Oversight
	Jeanette Bateman	Manager Risk & Compliance Oversight
11	Andrew Laidlaw	Manager Payments Policy
	Stephen Humphreys	Head of Department Communications
	Bob Ferguson	Head of Department EU Withdrawal & Handbook
12	Emma Stranack	Head of Department Business & Consumer Comms
	Christopher Preston	Manager International Projects - PPI
13	Alison Barker	Director Specialist Supervision
	Dan Hurl	Head of Department Prudential
	Duarte Delgado	Technical Specialist Prudential
14	Graeme McLean	Head of Department High Cost Credit Review
	Henrik Blank	Technical Specialist High Cost Credit Review
15	Edwin Schooling Latter	Director Markets Policy
	Richard Fox	Head of Department Markets Policy
	Mark Manning	Manager Markets Policy
	Nike Trost	Manager Markets Policy
16	Philip Salter	Director Retail Lending
	Jonathan Pearson	Manager Retail Sector Views
	Robin Finer	Head of Department Chief Economist

Other relevant Associates also attended the meeting.