1 Quorum and declarations of interest

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

1.2 In relation to the discussion and decisions relating to London Capital & Finance (LCF) under item 5, the Chair suggested that Mr Bailey, Mr Woolard and the members of the FCA’s Executive Committee attending the meeting should be treated for the purposes of this meeting as having a conflict of interest in this matter arising from the FCA’s supervision of LCF during the relevant period, without determining the question of whether they had an actual conflict of interest. He suggested that these persons should remain present for the purpose of answering questions from the non-executive directors relating to this item, but should not take part in any of the decisions that the Board was required to make at this meeting.

1.3 The Board agreed, and, after due consideration (and noting that a quorum existed without counting the Interested Directors (as defined in the Articles of Association), authorised them pursuant to Article 8 to remain present for the purposes of answering questions from the non-executive directors relating to the discussion and decisions relating to LCF under item 5 but agreed that they should not take part in any of the decisions that the Board was required to make at this meeting.
EU Withdrawal

Policy Statement

2.1 The Board approved the EU withdrawal instruments in Annex B.

2.2 The Board was informed that three instruments (Technical Standards on Strong Customer Authentication and Common and Secure Methods of Communication Instrument 2019; Payment Services (Amendment) (No 2) Instrument 2019; and Application of CASS and the statutory trust to activities carried on from an EEA branch) would need to be made by written procedure on 15 April if there was a no-deal withdrawal on 12 April.

Temporary Transitional Power

2.3 The Board was reminded that at its February 2019 meeting, it endorsed the approach to use the ‘temporary transitional power’ (TTP), allowing firms 15 months after exit day to comply with changes to their regulatory obligations made under the EU (Withdrawal) Act 2018.

2.4 The Board noted the changes made to the directions since publication in near-final form in relation to treatment of derivatives under EMIR; UK managers of EEA UCITS funds; application of CASS and the statutory trust to activities carried on from an EEA branch; and distance marketing rules. The Board approved the publication of the final set of temporary transitional directions.

Monthly Update to the Board

2.5 The Board received an update on key risks for firms in the event the UK was to leave the EU without an agreed deal. The Board was also informed of latest key developments regarding the FCA’s EU withdrawal work including: the readiness of each EU withdrawal project, workstream and business area for the possibility of leaving without a deal; “go live” planning for a no deal exit, including the weekend of exit and the immediate period afterwards; and the FCA’s communication strategy.

2.6 The Board discussed the Temporary Permissions Regime (TPR) and the number of notifications received and requested further information about the applications received, how these firms would be supervised and the FCA’s risk appetite for prioritising firms within the TPR. Other matters discussed included issues related to the rate of “repapering” existing contracts.

2.7 The Board also discussed the communications plan and whether it was effective. The Board heard that the communications plan was reaching the intended audience and the communications team continued to engage with relevant stakeholders such as trade associations. The Board asked the Executive if it was satisfied, and it was confirmed, that sufficient steps had been taken to emphasise to insurance companies the importance of being able to address issues relating to the validity of travel insurance particularly in time for the Easter holiday season.

2.8 The Board was also updated on changes to client asset rules (CASS) affecting assets held in the EEA branches of UK firms. The Board was informed that it was considered that there would not be an adverse impact on firms that had prepared for Brexit or on their clients. This was because it was expected that many EEA branches would become subsidiaries, and because the clients of EEA branches would receive similar protection to CASS given the safeguarding requirements set out in the Markets in Financial Instruments Directive II (MiFID II) and the Insurance Distribution Directive (IDD).
3 Minutes of the FCA Board Meeting

3.1 The Board approved the minutes of the FCA Board meeting held on 28 February 2019.

4 Matters arising

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

5 Report from the Chief Executive

London Capital & Finance

5.1 In light of the recent events in relation to London Capital & Finance (LC&F), the non-executive directors (NEDs) considered questions highlighted by its failure and whether the conditions for a regulatory failure investigation in accordance with Section 73 of the Financial Services Act 2012 (the Act) had been met.

5.2 The NEDs discussed the regulatory perimeter and broader issues relating to mini-bonds. The NEDs recognised the risk that regulation directed only to authorised firms that issue unregulated mini-bonds may cause this activity to migrate further to unregulated entities. The NEDs noted that there was a significant risk of harm to consumers from these unregulated activities and considered that any investigation should examine the LC&F case in the context of these broader questions.

5.3 Following discussion and consideration of the issues relating to LC&F and the complexities of the perimeter issues, the NEDs were not able, on the basis of the information currently available, to conclude that the conditions for a regulatory failure investigation in respect of a serious failure in the regulatory system or in the operation of that system had been met.

5.4 The NEDs decided, however, that in light of the significant risk of consumer harm from this sort of activity, it would be in the public interest for a statutory investigation to be commissioned without delay. In reaching its decision the NEDs noted that section 73 was not well suited to consider the broader public interest questions which arose in relation to the issue and sale of mini-bonds by unregulated firms to retail consumers. They also considered that the review should be wide ranging and consider all relevant factors, such as the individual savings account regime. The NEDs agreed that the FCA should invite HM Treasury to direct the FCA to commission a review into the regulation of mini-bonds and the failure of LC&F under section 77 on grounds of the public interest. The Treasury Committee would also be informed of the discussion.

5.5 The NEDs also emphasised that the review should be designed to avoid delay in the delivery of answers to the questions about the regulatory system, recognising the risk that the current criminal investigation concerning LC&F and the FCA’s enforcement actions may complicate the timetable for addressing questions about the FCA’s supervision of that firm. In light of this, the NEDs were open to receiving an interim report on the broader system issues.

MiFID share and derivatives trading obligations

5.6 The Board was informed of the discussions underway with the European Securities and Markets Authority (ESMA) in relation to the shares and derivatives trading obligation (STO), and possible solutions which would reduce the disruption caused by a “no equivalence” scenario in which UK trading venues were not treated as equivalent to their EU counterparts.

FCA Register
5.7 The Board received an update on the Register, including the improvement work underway.

6 Q3 2018/19 Quarterly Performance report

6.1 The Board discussed the content of the report, noting the themes identified by the executive for discussion; proposed improvements on reporting and the staff engagement survey update.

6.2 Andrew Bailey reported on the following:

- given the political uncertainty, the FCA was continuing with its preparations to be ready for the possibility of a no deal exit;
- work continued on financial crime with engagement with the Government’s economic crime reform agenda;
- following the Board strategy day, there had been an increased focus on data strategy and in defining the data objectives for the coming year and also a medium-term plan. This would be considered further by the Board;
- the number of open complaints against the FCA had increased significantly over the quarter. There had been a number of complaints from groups relating to issues with particular firms, but some of the increase was as a result of a reduced number of complaints being closed due to resource issues. Action was being taken to increase the capacity of the team through a mixture of permanent and temporary staff. The Board asked for a further report on managing the increased workload.

6.3 In considering the report, the Board discussed its format and content and requested further narrative in the report from the Chief Executive and Executive Directors on the state of performance over each quarter to reflect their assessment of achievements and challenges.

7 Report from the PRA

7.1 The Board received an update from Mr Woods on matters relating to the PRA.

8 FCA Business Plan 2019/20

8.1 The Board considered the draft FCA Business Plan for 2019/20. The Plan was developed based on the budget and priority activities previously agreed by the Board. Work had been done with business areas to ensure that the outcomes had been clearly articulated for sector and cross-sector priorities and the language used was concise and consistent.

8.2 The Board noted that the ‘The Future of Regulation’ cross-sector priority would require the FCA to play a central role in a public debate on the post-Brexit regulatory world. The content in the published Business Plan would be high level, and would be fleshed out in significant speeches by the CEO and ExCo at the start of the 2019/20 year, subject to clarification over EU withdrawal.

8.3 The Board also discussed the purpose of the Plan and requested that further consideration be given to how performance measurements were embedded in internal processes.

8.4 The Board approved the 2019/20 external Business Plan for publication, subject to any final comments, and delegated authority to the Chief Executive to finalise the document.
9 Duty of Care: approval of draft feedback statement

9.1 The Board was presented with the draft feedback statement which followed the FCA discussion paper on a duty of care and potential alternative approaches. The Board noted that the discussion paper had attracted a high number of responses from a wide range of stakeholders.

9.2 The discussion paper had produced a considered and useful debate that went beyond the question of whether a duty of care was appropriate or not, to consider other possible means of improving consumer protection. Stakeholder views were split on some of the core issues, and these would be examined further. A feedback statement would be published, the day before the publication of the Business Plan, to keep stakeholders updated on the direction of the debate and the FCA’s high-level next steps.

9.3 The Board was reminded that in the discussion paper, a duty of care was defined as a “New Duty” to allow for the different forms a duty could take – a statutory duty of care, a fiduciary duty, or a duty effected by a change to existing Principles or rules – to move the discussion beyond a binary choice about whether to introduce a statutory duty of care. Opinion was divided on whether a new duty, in any form, was needed. Some argued for a new duty because of the view held that Principles were not clear enough and put insufficient emphasis on harm prevention. Others considered whether the existing Principles should be revised and/or a new Principle written to create a duty that explicitly incorporated the concept of harm prevention. There was opposition to an actionable duty of care and/or a right of action attaching to the Principles.

9.4 The Board approved the draft feedback statement for publication.

10 Price discrimination in the cash savings market

10.1 In July 2018, a Discussion Paper and Occasional Paper on price discrimination in the cash savings market was published. The Discussion Paper outlined the FCA’s concerns that competition was not working well for consumers, with consumers generally receiving lower interest rates on easy access cash savings products opened long ago compared to those opened more recently.

10.2 The Board received an update on the responses to the Discussion Paper, the basic savings rate and recent developments, including the Citizens Advice ‘loyalty penalty’ super-complaint and the FCA’s work on Open Finance.

11 Financial Ombudsman Service Budget and Business Plan 2019/2020

11.1 The draft FOS budget and business plan for 2018/19 had been considered by the Oversight Committee and subsequently consulted on. The final FOS budget had increased by £0.8m in operating income due to a change in forecasting in casework resolution around short-term lending, other general casework products and a review of other income. The response to consultation indicated support for the guiding principles for the longer-term strategy and broadly agreed with projections for 2019/20.
11.2 Caroline Wayman provided an overview of some of the planned workstreams for the upcoming year, including the plans for the extended SME jurisdiction and new Claims Management Companies (CMC) jurisdiction.

11.3 The Board noted the significant growth in short term lending complaints. The majority of the increase could be attributed to CMC activity; and the uncertainty and volatility of the market had resulted in a challenging planning environment. The Board noted that work was being done to reduce the caseload but it was anticipated that timeliness was likely to remain a challenge throughout the financial year.

11.4 The Board approved FOS’s budget for 2019/20 and the making of the associated fees instrument.

12 **Supervision of certain cryptoasset businesses for anti-money laundering (AML) purposes**

12.1 The Board noted that HM Treasury was consulting on domestic legislation to implement an AML regime for certain cryptoasset activities by January 2020. HM Treasury proposed additional elements that would require the UK to meet the relevant Financial Action Task Force (FATF) standards and had asked the FCA to take on supervision of the new regime.

12.2 The Board also noted that the new regime would introduce AML supervision for businesses which enabled cryptoasset exchanges and which acted as custodians for ‘wallets’ storing cryptoassets for clients. Subject to consultation it may also include businesses enabling exchange of one cryptoasset for another and cryptoasset ATMs and, potentially, those facilitating peer-to-peer exchange of cryptoassets or providing ‘wallets’ without providing custody of the ‘wallet’. The intention of the regime was to address the harms by applying anti-money laundering requirements to those who act as the gatekeepers to cryptoassets.

12.3 In addition to the scope of the regime, the Board discussed the resourcing implications for the FCA to take on the supervision of the regime. The Board also discussed the risks and issues associated with taking on supervisory responsibilities. In relation to risks not covered by the regime such as technology and resilience requirements, financial promotions and consumer protections, the Board considered whether communication alone was sufficient for managing risks and whether additional rules were required. It was agreed that further discussion in relation to this was required.

12.4 The Board was supportive and:

- **agreed** in principle, subject to detailed design of the regime and the development of the supervisory model and associated funding, that the FCA was prepared to act as AML supervisor for specified cryptoasset businesses located in the UK if that remained HM Treasury’s preferred approach following the consultation;

- **agreed** continued engagement with industry pending the consultation outcome to inform design and enable timely implementation of the regime.
FCA Fees 2019/20

13.1 The FCA was required to consult on the fee rates rules to raise its 2019/20 annual funding requirement (AFR). The annual fee rates consultation paper (CP) would be published alongside the Business Plan on 17 April 2019.

13.2 The Board considered the following:

- The proposal that £5.0m of costs raised would be allocated to fund work relating to EU withdrawal across the fee-blocks that include banks, insurers, fund managers and proprietary traders, since it was deemed that the types of firms in these fee-blocks were most likely to be affected by EU withdrawal. The Board noted that this was the same allocation basis used for 2017/18 and 2018/19;
- The established policy was for minimum and flat fees to be linked to movements in ORA. For 2019/20 it was proposed to increase these fees by 2% to reflect the increase in base ORA;
- Scope change costs included Claims Management Companies (CMCs), MiFID II and Consumer Credit;
- The ORA, AFR and AFR allocation proposals for potential hard and soft EU withdrawal or a further delay

13.3 Following discussion, the Board approved the following for consultation in the April 2019 fees-rates Consultation Paper:

- proposed 2019/20 FCA fees;
- EU Withdrawal preparation proposals:
  i. Under the scenario of a delayed EU withdrawal, to consult on fee-rates based on the continuation of fee discounts for European Economic Area (EEA) branch firms and no periodic fees for service firms for the whole of 2019/20, as consistent with the Prudential Regulation Authority (PRA).
  ii. Under a hard EU withdrawal, to continue to apply fee discounts for Gibraltar-based firms who would continue to be able to passport into the UK, as consistent with the PRA.
  iii. Under a hard EU withdrawal, if the Treasury decided to deem the EU as equivalent for Markets in Financial Instrument Directive (MiFID) purposes and Temporary Permission Regime (TPR) cross-border service firms, after exit day, rely on the equivalence regime to not charge any periodic fees. It was noted that this would be consistent with the approach the European Securities and Markets Authority were taking for UK firms.
- proposed 2019/20 illegal money lending levy to raise funding on behalf of HM Treasury.

Finalising rules to permanently prohibit the sale of binary options to retail clients

14.1 The Board was informed that the proposed rules would make the European Securities and Markets Authority’s (ESMA) temporary prohibition of binary options sold to retail clients permanent. ESMA’s temporary measures expire on 1 April 2019 in the event of a ‘no deal’ Brexit and the proposed rules go further than ESMA by capturing so-called ‘securitised binary options’, such as listed binary options.
14.2 The Board noted that the proposed rules were broader in scope and would ban an activity that other jurisdictions did not. The Board agreed this was appropriate based on the underlying assessment of harm. It was also noted that the feedback to consultation had not altered this assessment.

14.3 The Board agreed the proposal to proceed with publishing rules that prohibit the sale, marketing and distribution of binary options (including securitised binary options) to retail consumers from 2 April 2019.

15 Papers for noting

15.1 The Board noted:

- the draft minutes of the External Risk and Strategy meeting held on 13 February 2019.
- the Audit Committee agenda from the meeting held on 18 March 2019
- the Payment Systems Regulator Board agenda from the meeting held on 21 March 2019
- the monthly reports from the Independent Panels
- an update from the Remuneration Committee meeting held on 27 March 2019.

16 Decisions of the Board

Nexus Programme Investment Case Approval

16.1 The Board agreed the overall programme budget envelope.

Re-appointment of the FCA Pensions Plan Director

16.2 The Board approved the re-appointment of Baroness Hogg as an Employer Nominated Director and Chair of the FCA Pension Plan Trustee Board with effect from 1 April 2019 for a period of three years until 31 March 2022.

Payment Services Directive 2 Programme request for Funding and Time

16.3 The Board approved additional funding to support the completion of the Project, and extending the Project timelines to March 2020.

Financial Services Compensation Scheme CEO Appointment

16.4 The Board approved the appointment of Caroline Rainbird as CEO of the Financial Services Compensations Scheme for a period of three years, from 4 May 2019.

Non Executive Director Conflict of Interests Policy

16.5 The Board approved the revised policy.
Appointment to Payment Systems Regulator and Board Committees

16.6 The Board approved the appointment of Chris Hemsley and Louise Buckley to the Board of the PSR as joint Managing Directors of the PSR from 6 April 2019 until such time as a permanent Managing Director is appointed. The Board noted that HM Treasury had consented to this appointment.

16.7 The Board also approved the reappointment of Carole Begent as a director of the PSR from 31 March 2019 until such time as a permanent Managing Director is appointed.

Panel Appointments

16.8 The Board approved the following appointments:

- Julie Page to be appointed as a member of the FCA Practitioner Panel from 1 April 2019 to 31 March 2022
- Juan Colombas to be appointed as a member of the FCA Practitioner Panel from 1 May 2019 to 20 April 2022
- Steve Treloar to be appointed as a member of the FCA Practitioner Panel from 1 April 2019 to 31 March 2022
- Joe Garner to be reappointed as a member of the FCA Practitioner Panel from 1 May 2019 to 30 April 2022
- Adrian Grace to be reappointed as a member of the FCA Practitioner Panel from 1 May 2019 to 30 April 2022

Approval of total cost of Deloitte contract after exercising the option to extend

16.9 The Board approved the total cost of £5.9m for the 4 year period, which includes the three year term and one year extension.

Rules and Guidance to be determined

17.1 The Board passed the resolution set out in Annex B.

Papers to be noted

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

18.2 The Minutes of Executive Risk and Policy Committee meetings held on 4, 7, 11 and 14 February 2019 were noted.

18.3 The Board noted the forward agenda.
19 Any other business

19.1 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 – Investment, Wholesale and Specialist
- Alana Christopher: Deputy Company Secretary
- Jonathan Davidson: Director, Supervision, Retail and Authorisations
- Nausicaa Delfas: Director, International
- Sean Martin: General Counsel
- Georgina Philippou: Chief Operating Officer
- Simon Pearce: Company Secretary
- Mark Steward: Director, Enforcement and Market Oversight
- Richard Lloyd: Non-Executive Director (designate)

Attending for the following items:

2.1 Richard Monks: Director – Strategy
   - Martin Boffey: Manager – GCD EU Coordination
   - Tim Rowe: Manager – Brexit Policy

2.3 Lee Foulger: Head of Department - International
   - Sarah Raisin: Technical Specialist – Brexit Policy
   - Vina Shukla: Technical Specialist – EU Coordination

2.5 Lee Foulger: Head of Department – International
   - Greg Sachrajda: Head of Department – International Delivery
   - Andrew Whyte: Director – Communications
   - Sarah Bailey: Manager – Strategic Communications
   - Andrea Ferguson: Manager – CASS & Redress
5.1 Jeanette Bateman  Manager – Risk and Compliance Oversight  
Greg Choyce  Head of Department – General Counsel Division  
Sheree Howard  Director – Risk and Compliance Oversight  

5.6 Marc Teasdale  Director – Wholesale Supervision  
Edwin Schooling Latter  Director – Markets Policy  
Lee Foulger  Head of Department – International  
Greg Sachrajda  Head of Department – International Delivery  

6 Natasha Oakley  Head of Department – Strategy & Analysis  
Vito Capobianco  Manager - Operations  

8 Richard Monks  Director – Strategy  
Natasha Oakley  Head of Department – Strategy & Analysis  
Stephen Humphreys  Head of Department - Communications  
Emma Jones  Manager – Strategy & Analysis  

9 Nisha Arora  Director – Consumer & Retail Policy  
Sarah McKenzie  Head of Department – Consumer Strategy & Policy  
Cara Bloomfield  Manager – Consumer Strategy  

10 Nisha Arora  Director – Consumer & Retail Policy  
Alex Roy  Manager – Consumer Distribution  
Robin Finer  Head of Department – Chief Economist  

Page 12 of 16
11  Julie Cavanagh          Chief Financial Officer, Financial Ombudsman Service
    Caroline Wayman          Chief Executive, Financial Ombudsman Service

12  Alison Barker          Director – Specialist Supervision
    Jennifer Long           Head of Department – Specialist Supervision

13  David Godfrey          Director – Finance
    Mark Hunnable           Manager – Finance
    Peter Cardinali         Technical Specialist - Finance

14  Edwin Schooling Latter Director – Markets Policy
    Rich Fox                Head of Department – Markets Policy
    Mhairi Jackson          Manager – Wholesale Conduct Policy
ANNEX B: Resolution

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

2. Conduct of Business (Binary Options) Instrument 2019 (FCA 2019/15)
6. Fees (Credit Rating Agencies, Trade Repositories and Securitisation Repositories) Instrument 2019 (FCA 2019/21)

The Board hereby approves the making by the Board of the Financial Ombudsman Service Ltd of the following instruments which fall within the responsibility of that organisation:


The Board is invited to approve in principle the making of the following instruments and to agree that they be made at a future date by way of written resolution:

10. Senior Managers and Certification Regime (Claims Management Firms) Instrument 2019 (FCA 2019/XX)
12. Payment Services (Amendment No 2) Instrument 2019 (FCA 2019/XX)
RESOLUTION

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

[Handbook Text]

25. Trade Repositories (Guidance) Instrument 2019 (FCA 2019/32)

[Technical Standards]

30. Technical Standards (Benchmark Regulation) (EU Exit) Instrument 2019 (FCA 2019/38)
33. Technical Standards (European Social Entrepreneurship Fund Regulation) (EU Exit) Instrument 2019 (FCA 2019/41)
34. Technical Standards (European Venture Capital Funds Regulation) (EU Exit) Instrument 2019 (FCA 2019/42)
41. Technical Standards (Money Market Funds Regulation) (EU Exit) Instrument 2019 (FCA 2019/49)
42. Technical Standards (Packaged Retail and Insurance-Based Investment Products Regulation) (EU Exit) Instrument 2019 (FCA 2019/50)
46. Technical Standards (Short Selling Regulation) (EU Exit) Instrument 2019 (FCA 2019/54)