

Minutes

Meeting: FCA Board

Date of Meeting: 15 July 2022

Start time: 09:00 to 12:45

Venue: Hybrid Meeting held via Microsoft Teams

Members Present:

Richard Lloyd	Alice Maynard
Liam Coleman	Jeannette Lichner (until 11.00)
Bernadette Conroy	Sam Woods (joined at 11.00)
Tommaso Valletti	Nikhil Rathi (stepped out 10.30-11.00)

In attendance: Set out in Annex A

Presenters: Set out in Annex A

Apologies: None

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 Chairs of Board Committees

- 2.1 The Board noted the report from the Chair of the People Committee of the meeting held on 5 July 2022. The Committee was looking forward to engagement with the "Colleague Voice" work being undertaken, and its link to the FCA's People Strategy.
 - 2.2 The Board noted the report from the Chair of the Risk Committee of the meeting held on 6 July 2022. The Committee had discussed two new risks, namely political uncertainty risk and risks in relation to the cost of living (including in the behaviours and financial pressures within firms) and had taken positive assurance by the work that has been done to date on prudential viability, the cost of living and the impact of high inflation.
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- 2.3 The Board noted the verbal report from the Chair of the Audit Committee on the progress made by the FCA towards completion of the Annual Report and Accounts for laying in Parliament before recess. He drew the Board's attention to two non-material matters which had arisen. The Chair thanked all involved for the hard work that had been done in preparing the report and accounts.

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.

4 Report from the PSR Chair

- 4.1 Ms Walsh briefed the Board on the business of the PSR that was of relevance to the FCA.

5 Delivering the Consumer Investments Strategy - Policy Statement on High-Risk Investments Financial Promotions

- 5.1 In January 2022, the FCA consulted on a package of measures to strengthen the financial promotion rules for high-risk investments.
- 5.2 In light of responses to the consultation, the Board was asked to approve targeted changes related to the risk warning proposals, the proposed cooling off period, and the implementation timing of the proposals in the Policy statement.
- 5.3 The Board discussed the proposals and noted the need for a robust supervision strategy in relation to financial promotions of high-risk investments. The Board noted that while the aim of the policy is to set a minimum standard, firms can apply a higher standard if they consider it appropriate, in line with our expectations under the new Consumer Duty, and to respond to future market developments.
- 5.4 The Board was updated on the work undertaken with the Behavioural Design Unit to assess the likely effectiveness of the proposals; for example, the effectiveness of requiring consumers to provide an explanation of why they consider themselves high net worth or sophisticated and to highlight liquidity risk.
- 5.5 The team confirmed that the effectiveness of the policy outcomes would be evaluated as part of the evaluation of the wider Consumer Investments strategy, for example through an assessment of the Financial Lives Survey data.
- 5.6 The Board discussed the plan for operationalisation of the policy and noted that resource for proactive monitoring is being increased. The Board received assurance that action has already been taken for breaches of the Financial Promotions requirements in the last year including use of the s137s financial promotions banning and transparency power.
- 5.7 The Board discussed the proposed second phase of work covering:

5.7.1 finalising the s.21 gateway and

5.7.2 further reviewing the categorisation of high-risk investments

5.8 The Board **approved**:

5.8.1 The near final rules and publication of the proposed Policy Statement on strengthening the FCA's financial promotion rules for high-risk investments and approvals.

5.8.2 Publication of the FCA's updated non-handbook guidance relating to approving financial promotions to reflect the new final rules.

5.8.3 The proposed strategy to operationalise the new rules.

6 Appointed Representatives - Approval of final rules following consultation

6.1 The FCA had consulted on changes to improve the Appointed Representative regime between December 2021 and March 2022, which are designed to require principal firms with Appointed Representatives to provide more information to the FCA and to strengthen their responsibilities for ensuring compliance with the FCA's rules. This work is funded by a levy on firms and is being delivered by the new Appointed Representatives Department. Progress against outcome metrics set out in the Strategy is being tracked.

6.2 A high number of responses to the consultation were received, most of which supported the proposals. The Board discussed some minor changes to the proposals in response to feedback, including reducing the pre-notification period from 60 to 30 days, and the operational impact of these changes.

6.3 The Board discussed the need for clear communications to ensure that principal firms fully understand their responsibilities for the improvements required to meet the standards set out in the rules.

6.4 The Board discussed the possible implications of the rule changes on the market. The team reported that they had seen some reduction in the number of principal firms. They confirmed that they will be sending out a requirement for data to principal firms later in the year to collect further information to continue to monitor the impact. Further work will be taken forward following responses to the discussion chapter of the consultation, and the team will continue to work with HM Treasury which has issued a call for input to consider whether legislative changes were needed.

6.5 The Board **approved** the final rules following consultation.

7 Report from the Chief Executive

7.1 Mr Rathi briefed the Board on a number of topical issues, including:

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- 7.1.1 ExCo had considered the findings of the hybrid working survey and decided that a hybrid working policy requiring minimum attendance in the office of 40% across each month will be implemented from 5 September 2022 and will be in place at least until the end of 2023. Senior Leadership Team members will be encouraged to meet a 50% minimum. The fully dispersed pilot will continue for teams, subject to local management approval, until the end of 2022. Staff will be required to attend the office for certain activities, including team events, and performance reviews and discussions. The Board supported the decision on hybrid working.
 - 7.1.2 **Staff survey** - The People Committee will consider the full results of the staff survey and ExCo's response to it in August.
 - 7.1.3 **The external environment** - The Board discussed the wider implications of the economic outlook and the impact on both consumers and markets.
 - 7.1.4 **Business Plan** – The Board discussed progress to date against the Business Plan. The COO reported that projects and programmes are being co-ordinated through the Portfolio Management Unit and the Executive Finance & Delivery Committee, noting that the Board would discuss the progress of delivery in more detail in September. The Board noted that the Joint Audit & Risk Committee would review the presentation of the business plan outcome metrics to ensure that they are focused on outcomes and the trajectory to get to the desired outcomes.

8 Rules and Guidance and Technical Standards to be determined

- 8.1 The Board discussed the three instruments presented. It was noted that only minor changes were required to the Funeral Plans (No 5) Instrument 2022.
- 8.2 The Dormant Assets Instrument extended the current regime to assets other than bank accounts. It is proposed to amend some definitions and to extend the jurisdiction of the Financial Ombudsman Service.
- 8.3 The Consumer Duty Instrument had previously been discussed and was supported by the Board.
- 8.4 The Board **resolved** to make the following instruments:
 - 8.4.1 Funeral Plans (No 5) Instrument 2022
 - 8.4.2 Dormant Assets Instrument 2022
 - 8.4.3 Consumer Duty Instrument 2022
 - 8.4.4 Financial Promotions and High- Risk Investments Instrument 2022
 - 8.4.5 Appointed Representatives Instrument 2022

9 Decisions of the Board/Board committee

10 Decisions of the Board

- 10.1 The Board **approved** the minutes of the meeting held on 23 June 2022, subject to a review of the proposed redactions.
- 10.2 The Board noted the action log and **approved the** closure of completed actions.
- 10.3 The Board **approved** the FCA Executive Committee recommendation to proceed with awarding all media buying services.
- 10.4 On the recommendation of People Committee, the Board **approved** the extension of the Resource Solutions contract.
- 10.5 The Board **approved** the following decisions:
 - 10.5.1 Salesforce Platform 2.0 Investment Case.
 - 10.5.2 The spend against the current Salesforce Licenses Contract ceiling.
 - 10.5.3 The completion of the procurement process through G-Cloud.
 - 10.5.4 Delegation of Vendor contract signing (before the end of August) to the COO / ExCo.

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

- 11.1 The reappointment of Mark Austin as Chair and member of the FCA Listing Authority Advisory Panel from 1 August 2022 to 31 July 2023.
- 11.2 The reappointment of Mandy Gradden as Deputy Chair and member of the FCA Listing Authority Advisory Panel from 1 August 2022 to 31 July 2023.
- 11.3 The reappointment of Kathryn McLeland as Deputy Chair and member of the FCA Listing Authority Advisory Panel from 1 August 2022 to 31 July 2023.
- 11.4 The appointment of Frances McCann as a member of the FCA Smaller Business Practitioner Panel from 1 August 2022 to 31 July 2023.
- 11.5 The Board **agreed** to delegate the decisions relating to the extension of RDC member terms to the Chair, Chair of Risk Committee and the Chief Executive.

12 Papers for noting

The Board noted the following papers submitted for information:

12.1.1 Independent Panel Reports to the Board

12.1.2 Update on the FCA approach to improving operational resilience within firms

12.1.3 New Consumer Duty Communications Plan

There being no further business the meeting closed.

Annex A: Attendees, presenters and observers

In attendance:

Sheree Howard – Executive Director, Risk and Compliance Oversight
Sheldon Mills – Executive Director, Consumers and Competition
Sarah Pritchard – Executive Director, Markets (joined at 10:15)
Jessica Rusu – Executive Director, Chief Data, Information, and Intelligence Officer
Emily Shepperd – Executive Director, Authorisations
Mark Steward – Executive Director, Enforcement and Market Oversight
Miles Bake – Director, Company Secretary
Ian Runacres – Manager, Chair’s Office
Aidene Walsh – PSR Interim Chair
Daniel Thornton – Director, Legal Group
Mike Bazzano – Manager, CEO’s office
Beverley Walker - Manager, Central Secretariat

Presenters and observers:

Item 1 - Declarations of interest	No attendees
Item 2 – Reports from the Chairs of Board committees	No attendees
Item 3 – Report from the PRA	No attendees
Item 4 – Update from PSR Chair	Aidene Walsh – PSR Interim Chair
Item 5 - Delivering the Consumer Investments Strategy – Policy Statement on High-Risk Investments Financial Promotions	Lucy Castledine – Head of Department
Item 6 - Appointed Representatives - Approval of final rules following consultation	Alex Smith – Head of Department Peter Curtis-Valino – Manager Toby Hall – Head of Department
Item 7 - Report from the Chief Executive	None
Item 8 – Decisions of the Board	None
Item 9 – Papers for noting	No attendees

Other relevant attendees were also present.