

## Minutes

Meeting: FCA Board

Date of Meeting: 21 & 22 July 2021

Venue: Meeting held via Microsoft Teams

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Present: Charles Randell (Chair) Alice Maynard  
Bernadette Conroy Nikhil Rathi  
Liam Coleman Tommaso Valletti  
Jeannette Lichner Sam Woods  
Richard Lloyd

In attendance: Set out in Annex A

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### 1 Quorum and declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 The Board was reminded of the former role held by Mr Coleman at a firm impacted by the independent review on the supervisory intervention on interest rate hedging products. In response Mr Coleman had agreed to absent himself for the related item. Mr Randell and Ms Lichner confirmed that client work they had undertaken in former roles for impacted firms had not been related to interest rate hedging products. On this basis, the Board did not consider that this constituted a conflict of interest in relation to the accompanying item.
- 1.3 Mr Lloyd declared that he had been permanently appointed as Chair of the Independent Parliamentary Standards Authority which sets, administers and regulates MPs' staffing and business costs, pay, and pensions. The Board did not consider that this constituted a conflict of interest in relation to the items to be discussed.
- 1.4 No further interests were declared.

### 2 Independent Review on the supervisory intervention on Interest Rate Hedging Products – Inside Information

- 2.1 The Board was briefed on the current status of the Independent Review into the FSA and FCA's handling of the Interest Rate Hedging Products redress scheme (the Review). It was noted the Review was continuing and that the draft executive summary had not yet been received. Two sets of representations had been made on behalf of the FCA. The Board was reminded that it was originally envisaged that the review report would be published in July, although it now appeared publication would likely be delayed.
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- 2.2 The Board noted that the draft report contained some positive commentary on the FSA's handling of the redress scheme but also included some significant criticism, especially around the exclusion of customers classified as sophisticated from the scheme.
- 2.3 It was explained to the Board that the tone adopted in the FCA's draft public response (the draft response) was to acknowledge the positive aspects but to adopt a humble and learning tone that accepted, in full, as many of the recommendations as possible. It was noted, however, that the FCA's response to certain findings, such as those relating to sophisticated customers and the role of skilled persons, would need to be nuanced in the light of the FCA's interpretation of relevant provisions of the Financial Services and Markets Act 2000.
- 2.4 The Board made a number of comments on the draft response but was generally supportive of the tone and approach used. The Board felt that aspects, such as the amount of redress achieved through the scheme, could be drawn out more strongly. The Board noted that care should be taken where recommendations were accepted on a qualified basis, noting that generally the recommendations should be accepted, with more specific comments about the underlying analysis drawn out in the detail where necessary.

### **3 The FCA's approach to firms' operational resilience**

- 3.1 Following an introduction from the Executive Director of Markets, the Board was briefed on the FCA's maturing regulatory approach to firms' operational resilience, including its work with other authorities.
- 3.2 The Board considered the challenges posed by the growing dependency on non-regulated third party suppliers and how the FCA's powers could be applied to promote operational resilience throughout the total supply chain of firms. The metrics required to monitor firm resilience and support proactive supervisory engagement were also discussed.
- 3.3 The Board supported the work underway but sought to better understand how the FCA's resources are prioritised between and across sectors and the development of accompanying metrics.

### **4 Report from the Chief Executive**

- 4.1 Mr Rathi briefed the Board on a number of topical issues, including:
- i. Staffing & resourcing: The challenges of the labour market following the easing of government restrictions and the importance of the career and grading project and the offer of a competitive employee value proposition. A more agile approach to recruitment was also being explored.
  - ii. Financial & operational performance: The suite of documents published on 15 July 2021 including the Business Plan 2021-22 and Annual Report & Accounts 2020-21. In monitoring delivery of the business plan the Board was keen to explore the early warning signs and suitable metrics to be incorporated into ongoing Board reporting on key consumer issues and enforcement activity.

- iii. Engagement with international policy makers: The Board was keen to understand more fully the FCA's engagement with international policy makers on key strategic issues.
  - iv. BetIndex Review: The Board requested sight of the FCA's response to the Reviewer's request for documents and noted that the firm was never regulated by the FCA.
- 4.2 The Board welcomed the evolving format of the report, subject to the implementation of some additional suggestions, and recognised the breadth of the work being undertaken.

## 5 Report from the PRA

- 5.1 Mr Woods briefed the Board on the business of the PRA that was of relevance to the FCA, including the recent publication of the Review of Ethnic Diversity and Inclusion at the Bank (the Review).
- 5.2 Board members expressed an interest in ensuring that the lessons learned from the Review were applied to the FCA as applicable.

## 6 BTS Quarterly Update

- 6.1 The Board was briefed on run and service updates, key updates to the major projects portfolio and progress in relation to cyber security.
- 6.2 The Board considered the remaining risks associated with the Data Centre Exit and was assured that progress was being closely supervised to ensure delivery. The inherent risks associated with data held by the organisation were also discussed as were the multiple workstreams in train to mitigate cyber threats. The Board sought assurance that these were sufficiently prioritised and resourced.
- 6.3 The Board was briefed on proposals to increase the spend limits for the Salesforce and Computacenter contracts to accommodate the future growth of the platform and changes to the scope and volume of run activity respectively. The Board sought assurance regarding the internal governance of this additional funding and that any accompanying risks or legal implications were being appropriately managed.
- 6.4 In follow up, the Board **approved** the following:
- i. an increase to the Board approved spend limit for the Salesforce contract.
  - ii. to delegate authority to the Executive Operations Committee (EOC) to govern spend against the Salesforce contract.
  - iii. an increase to the Board approved spend limit for the Computacenter contract.

## **7 Transformation**

- 7.1 The Board was briefed on the status of the Transformation Programme, progress regarding the career and grading project and associated communications and engagement plans.
- 7.2 Transformation Programme (the Programme): Whilst the Programme was noted to be progressing well, the Board discussed the challenge of integrating internal and external communications and ensuring that individual issues do not drown out the wider transformation message. The importance of sharing the successes as the Programme progressed was recognised in this regard.
- 7.3 Career & grading project (the Project): The Chair of the Remuneration Committee briefed the Board on its discussions of the Project, highlighting the importance of a holistic employee value proposition.
- 7.4 The Board was also updated on the activities undertaken as part of the culture workstream and how the insights gathered were being fed back into the wider Programme. The importance of the Senior Leadership Team (SLT) in fostering the cultural change being sought was considered.
- 7.5 The Board discussed the risks associated with the Project but was supportive of the current direction of travel. The Board encouraged the use of examples to illustrate how proposals respond to existing people issues. The importance of simple and clear communications confirming what would and would not be in the scope of the planned staff consultation was also considered.
- 7.6 Communications & engagement: The two-way nature of communication and engagement was discussed to ensure the organisation is listening to and seeking to understand the concerns of staff. The Board emphasised the critical role of the SLT and the Staff Consultative Committee (SCC) in these activities and the importance of ensuring they have sufficient capacity, capability and support to deliver this role. The Board encouraged the use of examples to illustrate how transformation initiatives will create opportunities and benefits for staff and make the FCA a better regulator.
- 7.7 The Board was keen to be kept regularly updated about the progress of and reactions to the Transformation Programme and the staff consultation.

## **8 British Steel Pension Scheme (BSPS)**

- 8.1 The Board was briefed on the specific circumstances surrounding the British Steel Pension Scheme (BSPS) and the FCA's activity to date to support members who received unsuitable advice from authorised financial advice firms. The case for further intervention and the available options for securing redress for Scheme members were also considered.
- 8.2 The Board discussed the benefits and risks of these options and considered the additional information that would be required to enable decisions to be taken about whether any further redress proposals should be pursued and the importance of any such proposals being rooted in the organisation's strategic objectives. It was noted that the Board did not currently have sufficient information to take any such decisions.
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- 8.3 In the meantime, the Board **supported** enhanced engagement activities with BSPS members whilst file reviews are conducted to establish a more detailed evidence base on which to make future decisions. The Board also **supported** initiating discussions with the Government about the issues with associated government policy.

## 9 Special Purpose Acquisition Companies (SPACs)

- 9.1 The Board was briefed on the consultation responses and subsequent proposals to amend the Listing Rules for special purpose acquisition companies (SPACs). The responses were noted to represent a good proportion of the market and were generally supportive of the proposals which sought to enhance consumer protection and market integrity by offering an alternative to the presumption of suspension.
- 9.2 Where feedback had been received this had been considered resulting in the following modifications:
- i. Lowering the minimum amount a SPAC would need to raise at initial listing from £200M to £100M; and
  - ii. Introducing an option to extend the proposed two-year time-limited operating period (or three-year period if extended with shareholder approval) by six months, without the need to get shareholder approval. The additional six months will only be available in limited circumstances and is intended to provide more time for a SPAC to conclude a reverse takeover where a transaction is well advanced.
- 9.3 The Board discussed the proposed plans to manage the listings gateway and supported a robust approach. The Board considered the risks arising from the misalignment of promoter incentives and shareholder interests and the importance of clear and reliable disclosure and acquisition documentation. The Board sought assurance that the FCA will proactively monitor these risks and take appropriate action where necessary.

## 10 Rules and Guidance and Technical Standards to be determined

- 10.1 The Board **resolved** to approve in principle the making of the following instrument and agreed that it be made at a future date:
- i. Investment Firms Prudential Regime Instrument 2021 (FCA 2021/29)
  - ii. Investment Firms Prudential Regime (Consequential Amendments to Other Prudential Sourcebooks) Instrument 2021 (FCA 2021/30)
- 10.2 The Board **resolved** to make the following instruments:
- i. Fees (Pre-Paid Funeral Plans) Instrument 2021 (FCA 2021/27)
  - ii. Fees and Decision-Making (Cancellation of Permission) Instrument 2021 (FCA 2021/28)
  - iii. Listing Rules (Special Purpose Acquisition Companies) Instrument 2021 (FCA 2021/29)
  - iv. Insurance Distribution (Professional Indemnity Insurance (Limits of Indemnity) Instrument 2021 (FCA 2021/30)
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- v. Consumer Credit (High-Cost Short-Term Credit Refinancing and Peer-to-Peer Lending Information sheets) Instrument 2021 (FCA 2021/31)

10.3 The Board **resolved** to make the following technical note:

- i. Primary Market Technical Note: Cash shells and special purpose acquisition companies (SPACs) (TN420.3)

## **11 Decisions of the Board**

11.1 The Board **agreed to approve** the minutes of the meeting held on 21 & 24 June 2021 by written procedure.

11.2 The Board **noted** the decisions taken by written procedures.

11.3 The Board **approved** the re-appointment of Marlene Shiels as a member and Chair of the FCA Smaller Business Practitioner Panel with effect from 1 October 2021 and until a new permanent Chair has been identified and appointed.

11.4 The Board **approved** the appointment of Virginia Khoo as a member of the Listing Authority Advisory Panel, for a period of three years, with effect from 1 August 2021.

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

12.1 The Board **noted** the reports from the Independent Panels.

## **13 Reports from Chairs of Board Committees**

13.1 The Board discussed the reports from the Chairs of the Board committees listed below from the meetings held on the accompanying dates:

- i. Audit Committee: 15 June 2021
- ii. Nomination Committee: 15 July 2021 (verbal update)
- iii. Remuneration Committee: 19 July 2021 (verbal update)

## **14 Papers for Noting**

14.1 The board **noted** the paper setting out the approach being taken to the facilities management retender.

**15 AOB**

15.1 There being no further business the meeting closed.

**Annex A\***

| <b>Attending for all, or substantially all of the meeting:</b> |   |  |
|--|---|--|
|  | Megan Butler  | Executive Director, Transformation                   |
|  | Stephanie Cohen   | Chief Operating Officer                              |
|  | Sarah Day   | Deputy Company Secretary                             |
|  | Toby Hall   | Private Secretary, Chief Executive Office            |
|  | Sheree Howard   | Executive Director, Risk and Compliance Oversight    |
|  | Sheldon Mills   | Executive Director, Consumers and Competition        |
|  | Simon Pearce  | Company Secretary                                    |
|  | Sarah Pritchard   | Executive Director, Markets ( <i>except item 6</i> ) |
|  | Ian Runacres  | Private Secretary to the Chair                       |
|  | Jessica Rusu  | Chief Data Information and Intelligence Officer      |
|  | David Scott   | Interim General Counsel                              |
|  | Mark Steward  | Executive Director, Enforcement and Market Oversight |
|  | Mark Threipland   | Head of Department, General Counsel Division         |
| <b>Attending for the following items:</b>                      |   |  |
| 2  | Robin Jones   | Director   |
|  | Pritheeva Rasaratnam  | Head of Department                                   |
|  | Julian Watts  | Technical Specialist                                 |
|  | David Geale   | Director   |
| 6  | Ian Alderton  | Director   |
|  | Andy Cobbett  | Head of Department                                   |
|  | Andrea Griffiths  | Head of Department                                   |
|  | Rob May   | Manager  |
|  | Joe Usher   | Technical Specialist                                 |
| 7  | Graeme McLean   | Head of Department                                   |
|  | Marcus Adams  | Head of Department                                   |
|  | Siobhan Sheridan  | Director   |
|  | Jamie McGinn  | Manager  |
|  | Abigail Seal  | Manager  |
|  | William Hague   | Director   |
| 8  | Nick McGruer  | Head of Department                                   |
|  | Chris Hewitt  | Technical Specialist                                 |
|  | Clare Vicary  | Technical Specialist                                 |
| 9  | Clare Cole  | Director   |
|  | Helen Boyd  | Manager  |
|  | Adam Wreglesworth   | Technical Specialist                                 |
|  | Henry Postlethwaite   | Head of Department                                   |
|  | *Relevant associates and professional business support staff were also in attendance. |  |