

Minutes

Meeting:	FCA Board
Date of Meeting:	19 and 20 July 2017
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS
Present:	John Griffith-Jones (Chair) Sarah Hogg (in part) Andrew Bailey Jane Platt Catherine Bradley Nick Stace Amelia Fletcher Sam Woods Bradley Fried Christopher Woolard (in part)
In attendance:	Set out in Annex A
Apologies:	Ruth Kelly Sarah Hogg (<i>for 20 July only</i>) Christopher Woolard (<i>for 19 July only</i>)

1 Quorum and Declaration of Interests

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 Jane Platt declared that she had recently been appointed as Chair of the Board of Trustees of LifeSight, a small master trust. The Board noted the declaration and agreed that this did not constitute a direct conflict in respect of any of the matters to follow.
- 1.3 There were no further interests declared by Board members in respect of matters to be considered at the meeting.

Business conducted on 19 July 2017

2 Ring-fencing update - sort code migrations

- 2.1 The Board received an update on the work being carried out to mitigate the risks associated with the Sort Code migration necessitated by firms' Ring-fencing programmes. The presenting team explained that it had sought to ensure that the actions required on the part of consumers were minimised and reported how it had been possible to substantially eliminate such actions, for example through automatic payment redirection.
- 2.2 The Board was pleased to note the progress being made, particularly in the extent to which action required to be undertaken by consumers had been minimised.

3 Minutes of the FCA Board meeting

- 3.1 The Board **approved** the minutes of the FCA Board meeting held on 21 and 22 June 2017 subject to some minor amendments.

4 Matters arising

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

5 Minutes of the Audit Committee meeting

5.1 The Board noted the draft minutes of the Audit Committee meeting held on 23 May 2017.

6 Minutes of the Payment Systems Regulator Board meeting

6.1 The Board noted the draft minutes of the PSR Board meeting held on 21 June 2017.

7 Updates on other meetings

7.1 The Board received a summary from Mr Griffith-Jones of the meeting of the Money Advice Service (MAS) Oversight Committee held on 4 July 2017.

7.2 The Board received a summary from Mr Griffith-Jones of the meeting of the PSR Board held on 5 July 2017.

7.3 The Board received a summary from Ms Platt of the meeting of the External Risk and Strategy Committee (ERSC) held on 13 July 2017. It was noted that the ERSC had suggested that the full sector views be made available to all Board members.

Business conducted on 20 July 2017

8 Report from the Chief Executive

8.1 The Board discussed Mr Bailey's report on developments since the last meeting including:

- Memorandum of Understanding (MoU) with the PSR – the MoU between the Bank of England, Prudential Regulation Authority, FCA and PSR was set up in 2015 and provided a high level framework for how the organisations would cooperate with each other in respect of payment systems in the UK. An annual review of the effectiveness of the MoU has been undertaken, including seeking views from industry and staff. The conclusion was that the MoU was working well and there was a commitment to continuing to work closely together on issues of common interest. A statement to this effect would be published as required by the MoU and was **approved** by the Board.
- Staff Consultative Committee (SCC) - the consultation with staff regarding the impact of the move to the office in Stratford had concluded and there had generally been good engagement. The SCC had prepared a comprehensive response for consideration by the Executive Committee (ExCo).

8.2 The Board **noted** the Chief Executive's report.

9 Report from the PRA

9.1 Mr Woods presented a summary of the key issues on the PRA agenda of relevance to the FCA.

10 Reports from the Panels

10.1 The Board reviewed and discussed the reports from the Consumer Panel, the Practitioner Panel, the Smaller Business Practitioner Panel and the Markets Practitioner Panel.

10.2 The Board noted the Practitioner Panel's comments that firms would appreciate clarity and flexibility in timing regarding the extension of the Senior Managers and Certification Regime (SMCR). The Board discussed the implications of the impact and acknowledged that there would be changes to the FCA Register due to the SMCR. The implications of these changes were being worked through and a paper would be brought to the Board later in the year.

10.3 The Board **noted** the monthly reports from the panels.

11 Annual Public Meeting review

11.1 The Board received an oral review of the Annual Public Meeting held on 18 July 2017.

11.2 The Board felt that overall the event and the press conference held immediately after had been successful and noted that the organising team was considering the lessons learned.

12 Sector View Update

12.1 The Board was advised that the ERSC had received a detailed report on the Sector Views at its meeting held on 13 July.

12.2 The key cross-cutting themes of household resilience; cyber concerns; political uncertainty; and layering of multiple risks were noted.

12.3 Each Sector View was considered and discussed in turn.

12.4 The Board **noted** the Sector Views and **agreed** that it would receive future updates every six months to allow sufficient time for trends to develop. It was also suggested that there was merit in publishing the Sector Views simultaneously with the annual business plan but that ExCo should consider the options.

13 Prioritisation and Business Planning 2018 /19

13.1 The Board reviewed the circulated schematic which set out the proposed process for the business planning process for 2018/19.

13.2 The view was expressed that last year had worked well but that there should also be a reaffirmation of the core on-going activities this year to ensure that 'business as usual' was included in the overall planning process. Board members were invited to submit further proposals and it was suggested that each of the independent panels also be asked to put forward ideas.

13.3 The Board agreed that as part of the process it should receive the Sector Views, budget envelope and commentary on how the emerging priorities linked with the Mission and enterprise wide risks. Information on changing patterns in household income and expenditure would also be helpful in determining the FCA priorities for 2018/19.

13.4 The Board **agreed** the business planning process and planning principles for 2018/19.

14 Financial Services Compensation Scheme (FSCS) Funding Review

14.1 The Board was reminded that the FSCS was the UK's compensation scheme of last resort for customers of authorised financial services firms. The issue had last been discussed by the Board in November 2016, following which a consultation paper was published on a range of discussion points and consultation proposals. Feedback from the consultation was provided in the Board paper.

- 14.2 The Board agreed with the recommendation presented and noted that a Policy Statement and final rules would be published in the autumn.
- 14.3 It was noted that the FSCS Funding Review would be considered further by the Board in October.

15 Public Confidence Risk Report

- 15.1 The Board received the report which had been jointly produced by the Communications and Risk and Compliance Oversight (RCO) teams and was part of a suite of reports feeding the Enterprise–Wide Risk Management Report.
- 15.2 The three broad areas of public confidence risk were identified as political and public policy uncertainty; ability to implement regulatory change and; internal operations, including the move to Stratford. The Board discussed each area focusing on some of the individual risks within these headings. Several suggestions for new risks and ratings for existing risks were made.
- 15.3 The Board commented that it was helpful to see summaries of the mitigations/actions and noted that the risks were managed by the first line with the RCO division monitoring the effectiveness of the actions.
- 15.4 The Board **noted** the report.

16 Approach to Consumers

- 16.1 As part of the FCA Mission 2017 and the 2017/18 business plan the organisation had stated its intention to publish its 'consumer approach' articulating the overarching consumer strategy. The circulated working draft set out the key elements of the consumer approach and how the FCA would work to ensure better outcomes for consumers in the next 3-5 years.
- 16.2 Welcoming the paper, the Board noted that it was a positive message that the consumer approach was the first in the series to be published. The Board agreed that consideration should be given to how to engage with the Consumer Panel and other consumer bodies as the document developed to ensure their views have been fully taken into account.
- 16.3 The work to date was acknowledged by the Board but it was felt that there was more to be done. It was suggested that it would be beneficial to review the suite of 'approach' documents in parallel and to explore what other regulators were doing with similar strategies.
- 16.4 There was discussion on the timing of publication of the document and the advantages of publishing the suite of approach documents in a co-ordinated manner due to the interdependencies.
- 16.5 The report was **noted** by the Board.

17 Accountability 2 – extending the SMCR to insurers and all FCA solo-regulated firms

- 17.1 The Board noted the update on the Senior Managers and Certification Regime (SMCR) in advance of the publication of a consultation paper on 26 July. The regime was to be extended to approximately 47,500 firms already regulated by the FCA and insurers regulated in conjunction with the PRA. The aim was to strengthen market integrity and reduce harm to consumers by enabling firms and regulators to hold people to account.

- 17.2 In recognition of the different types of firms that will be subject to the extension of the SMR functions, criteria have been developed to identify firms that the regime would apply to. The Board was also advised that the functions would be applied proportionately and the practicalities of how this would work were being considered. It was noted that it was proposed that specific elements of the regime would apply to all firms, including five individual conduct rules applicable to everyone working in financial services.
- 17.3 The Board noted that it was planned to use the tools and principles from the banking regime to create consistency across financial services. The Board felt that where possible the regime should be less prescriptive and allow for a range of adjustment, particularly after a period of application.
- 17.4 Firms had been surveyed to provide an estimate of the cost of implementation and there had been regional road shows and a communications strategy. The Smaller Business Practitioner Panel was supportive of the extension but had stressed the need for tailoring the regime to make it proportionate.
- 17.5 The Board emphasised the importance of the messaging to all stakeholders and the need to ensure that there was clarity that accountability would extend to individuals and not just firms. It would also be useful to provide worked examples which also demonstrated what will not have to be done as well as the additional responsibilities.
- 17.6 The Board **noted** the report.

18 Rules & Guidance to be determined

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

19 Decisions of the Board

- 19.1 The Board **approved**:
- the appointment of Sienna Veit as a non-executive director of the FOS Board for a period of three years, from 1 September 2017 to 31 August 2020
 - the appointment of Mr Andrew Pinder as a member of the FCA's Listing Authority Advisory Panel, from 21 July 2017 to 31 July 2020
 - the appointment of Ms Marisa Drew as a member of the FCA's Markets Practitioner Panel, from 1 August 2017 to 31 July 2020
 - The reappointment of Mr Ashley Rogoff as a member of the FCA's Smaller Business Practitioner Panel, from 1 August 2017 to 31 July 2020
 - The reappointment of the following non-executive directors of the Money Advice Service until June 2019 or the date that the new Single Financial Guidance Body goes live, whichever is earlier:
 - Nicola Bruce
 - Mike Dailly
 - Caroline Fawcett
 - Chris Morson
 - Robert Skinner
- 19.2 The Board noted the handbook instruments made in relation to MiFID II on 30 June 2017 and Prospectus rules on 6 July 2017.

20 Minutes of Executive Committee meetings

- 20.1 The Board noted the minutes of the Executive Committee meetings held on 19, 22 May 2017 & 2, 6, 12, 13 & 15 June 2017.

21 Forward Agenda

- 21.1 The Board noted the forward agenda and it was agreed that the possibility of receiving a presentation on the international financial regulatory bodies in the autumn should be explored.

22 Any other business

- 22.1 There were no further items of business.

John Griffith-Jones
Chairman

ANNEX A: Attendees

Attending all, or substantially all, of the meeting:

Angela Attah	Deputy Company Secretary
Megan Butler	Director, Supervision, Investment, Wholesale & Specialists
Vickiesha Chabra	Manager, Chairman's Office
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Sarah Day	Assistant Company Secretary
Sean Martin	General Counsel
Simon Pearce	Company Secretary

Also attending for the following items:

2	Matt Brown	Manager, Ring-Fencing Cross-Cutting
	Andrew Wigston	Manager, Retail & Commercial Insurers
11	Stephen Humphreys	Head of Department, Corporate Communications
12	Genevieve Marjoribanks	Manager, Analysis & Insight
	Gareth Thomas	Manager, House View Sector Team 1
13	Alex Roy	Manager, Strategy Development
14	David Geale	Director, Policy
	Richard Johnson	Head of Department, Prudential Protection Governance & Investments
	Cosmo Gibson	Manager, Redress
	Pritheeva Rasaratnam	Manager, Advice Unit
15	Andrew Whyte	Director, Communications
	Emma Davies	Manager, Operational Risk Advisors
	Jamie Bell	Manager, Strategy, Sector & Markets Supervision
16	Attricia Archer	Manager, Consumer Insight
17	David Geale	Director, Policy
	Richard Johnson	Head of Department, Prudential Protection Governance & Investments
	Laura Royle	Manager, Governance & Professionalism

ANNEX B: Resolution

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

Approved Persons (Amendment to Application Forms) Instrument 2017 (FCA 2017/41)

Fees (Payment Systems Regulator) Instrument (No 4) 2017 (FCA 2017/42)

Conduct of Business Sourcebook (Pension Projections) Instrument 2017 (FCA 2017/43)

Client Assets (Client Money and Custody Assets Distribution and Transfers) Instrument 2017 (FCA 2017/44)

Trading Venues Instrument 2017 (FCA 2017/45)

Client Assets Supervision (P2P CASS Audits) Instrument 2017 (FCA 2017/46)

Immigration Regulations (Amendment) Instrument 2017 (FCA 2017/47)

Retirement Income Data (Regulatory Return) Instrument 2017 (FCA 2017/48)

Fourth Money Laundering Directive (Enforcement and Consequential Amendments) Instrument 2017 (FCA 2017/49)

The Board of the Financial Conduct Authority approves the making by the Board of the Financial Ombudsman Service Ltd of the following instrument:

Dispute Resolution: Complaints (Payment Protection Insurance Complaints) (Voluntary Jurisdiction) Instrument 2017 (FOS 2017/3)