

## Minutes

Meeting:	FCA Board	
Date of Meeting:	24 & 25 May 2017	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	John Griffith-Jones (Chair)	
	Andrew Bailey	Ruth Kelly
	Catherine Bradley	Jane Platt
	Amelia Fletcher	Nick Stace
	Bradley Fried†	Sam Woods
	Sarah Hogg	Christopher Woolard
In attendance:	Set out in Annex A	
Apologies:	Andrew Bailey ( <i>for 24 May only</i> )	
	Bradley Fried ( <i>for 24 May only</i> )	

† *Participated by telephone*

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### 1 Quorum and Declaration of Interests

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 Any interests declared by Board members in the matters to be considered at the meeting are noted below.

#### ***Business conducted on 24 May 2017***

### 2 Retirement Outcomes Review (ROR)

- 2.1 The Board noted that the aim of the ROR was to assess the impact of the pensions reforms on the retirement income market. The review was focusing on those consumers that do not take advice, to avoid overlap with the scope of the Financial Advice Market Review.
- 2.2 The Board received a briefing on the key findings of the review.
- 2.3 The Board noted that it was proposed to publish the Interim Report, setting out interim findings and potential remedies, in July 2017.

### 3 Funding of the new office in the International Quarter, Stratford (TIQ)

- 3.1 The Board noted that it was forecast that the FCA would be required to fund approximately £90m in build and fit-out costs for the TIQ office. It was informed that it would be possible to fund £75m through the rent free period and that, after analysis of various funding options, funding this through an extended overdraft facility was considered to be the most cost-effective approach.

3.2 It was proposed to fund the balance of up to £15m that related to furnishing the building, through a fixed-term loan. The associated finance costs would be capitalised with the assets acquired and spread over the depreciation period of c.10 years, thus matching cash inflows and outflows and minimising the impact on fee payers.

3.3 After discussion of the benefits and risks of the proposal, the Board **agreed** to:

a) approve an extension of the FCA's overdraft facility from its current limit of £50m to £150m to fund Category B expenditure and fees relating to TIQ, noting that this facility would be tapered back to £50m over the rent-free period

b) approve the funding of furniture costs of up to £15m through a 10-year fixed-rate loan

#### **4 Code of Conduct**

4.1 The Board was reminded that in March it had been briefed on the procedures for staff and non-executive directors to declare interests and record information that may represent a conflict of interest. The Board was informed of changes that had been made to systems to facilitate this process and was briefed on communications aimed at:

- Increasing awareness of the principles of public life and the Code of Conduct and
- Reinforcing the point of personal responsibility by emphasising actions that employees and line managers are expected to take to manage potential conflicts of interest

#### **5 Decisions of the Board**

5.1 The Board **approved** the appointment of:

- Diana Warwick, Baroness Warwick of Undercliffe, as a non-executive director of the Financial Ombudsman Service (FOS) from 1 September 2017 to 31 August 2020
- Jenny Watson as a non-executive director of the FOS from 1 June 2017 to 31 May 2020
- Dermot McDonogh as a member of the FCA Markets Practitioner Panel from 26 May 2017 to 31 May 2020
- Andy Chapman as a member of the FCA Smaller Business Practitioner Panel from 26 May 2017 to 31 May 2020
- Nick Stace as a member of the Oversight Committee of the FCA Board

#### **6 Minutes of the FCA Board meeting**

6.1 The Board **approved** the minutes of the FCA Board meeting held on 25 and 26 April 2017.

#### **7 Matters arising**

7.1 The Board noted the progress with the matters arising at previous meetings.

#### **8 Minutes of the External Risk and Strategy Committee meeting**

8.1 The Board noted the draft minutes of the External Risk and Strategy Committee meeting held on 25 April 2017.

## **9 Updates on other meetings**

- 9.1 The Board received a summary from Mr Griffith-Jones of the meeting of the Payment Systems Regulator (PSR) Board held on 17 May 2017. Amongst the items discussed it was agreed that the FCA Board should receive an update in due course of the work being carried out by both the PSR and the FCA in response to the Which? Supercomplaint.
- 9.2 The Board also received a summary from Ms Kelly of the Audit Committee meetings held on 18 and 23 May 2017. It was reported that the committee had reviewed the annual report and accounts in detail and had provided various comments and observations on the draft. In addition to its regular agenda items, the committee had also received a briefing on cyber-security.

### ***Business conducted on 25 April 2017***

## **10 Report from the Chief Executive**

- 10.1 The Board discussed Mr Bailey's presentation of developments since the last meeting. As part of the discussion, the Board received a presentation on the "Wannacry" ransomware attack and on the actions that had been taken in response to it. The Board noted that the FCA and the wider industry had been unaffected by the attack but there were lessons to be learned. The Board also discussed the current position regarding a regulated firm\*.
- 10.2 Other items discussed in the context of the report included:
- work continuing with the Gibraltar Financial Services Commission and the European Insurance and Occupational Pensions Authority on issues involving a number of insurers passporting into the UK from Gibraltar
  - progress with the ring-fencing project. In particular, it was noted that due to automated payment redirection and the actions of banks and building societies, fewer bank customers than previously envisaged may need to be instructed to change payment details
  - the annual review of the Memorandum of Understanding between the FCA and the PRA. Both Mr Bailey and Mr Woods agreed that it was working well, with increased cooperation in areas such as cyber-security

## **11 Report from the PRA**

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

## **12 Reports from the Panels**

- 12.1 The Board reviewed and discussed the reports from the Consumer Panel, the Practitioner Panel and the Smaller Business Practitioner Panel. The items discussed included the timing and objectives of the Strategic Review of Retail Banking Business Models, a matter on which each of the panels had expressed views.

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\* Prior to the discussion of this item, Mr Woolard reminded the Board that his neighbour was a board member of the regulated firm. The Board noted this declared conflict and authorised it in accordance with Article 8 of the Articles of Association of the FCA, allowing Mr Woolard to participate in the discussion.

### **13 Quarterly Performance Report – Q4 2016/17**

- 13.1 The Board reviewed the quarterly performance report, discussing the key issues of each divisional summary in turn.
- 13.2 Amongst the items discussed, the Board requested that metrics relating to the background checks and third-party assurances obtained when hiring staff be reported to the Audit Committee.

### **14 FCA Annual Report and Accounts 2016/17**

- 14.1 The Board reviewed the draft Annual Report & Accounts and provided comments to the production team, noting that the Audit Committee had already provided detailed feedback.
- 14.2 The Board noted the presentation of data relating to complaints against firms, where it felt that a change in basis of the data was not adequately explained. The team was requested to address this.
- 14.3 The Board also noted that the accounts would show that the FCA generated a surplus of £56m during the year before accounting for the pension deficit. The Board felt that the reasons for this should be clearly articulated in the report.

### **15 PSR Annual Report and Accounts 2016/17**

- 15.1 The Board reviewed the draft Annual Report & Accounts of the PSR and provided comments to the production team, noting that the Audit Committee had already provided detailed feedback.

### **16 Potential judicial review of PS17/3**

- 16.1 The Board received an update and had a discussion on contingency planning for a potential judicial review.

### **17 Enterprise Act Annual Report**

- 17.1 The Board was informed that the Small Business, Enterprise and Employment Act 2015, as amended by the Enterprise Act 2016, requires the FCA to publish an annual report of the costs it imposes on business. The Board was briefed on the timing of the report and the basis for its preparation, which the Board noted differed in important respects from the Cost Benefit Analyses (CBAs) that the FCA regularly publishes in relation to proposed new rules. The Board recognised that the format of the new report was prescribed, but felt it was not as helpful to readers as it could be and that future reports would benefit from showing the benefits of regulation alongside the statutory information. With this in mind, the Board felt there may be merit in making representations to the Department for Business, Energy and Industrial Strategy to suggest improvements for future reports.
- 17.2 After discussion, the Board:
- **approved** the draft Enterprise Act Annual Report
  - **agreed** that Andrew Bailey, Christopher Woolard and Andrew Whyte be authorised to approve minor changes to the text prior to publication; and
  - **authorised** Andrew Bailey to approve the publication of the final report

## **18 Markets in Financial Instruments Directive II (MiFID II) Implementation**

18.1 The Board was reminded that MiFID II is due to take effect on 3 January 2018 and that the necessary changes to the FCA Handbook to transpose the directive needed to be made by 3 July 2017.

18.2 The Board was briefed on the principal policy proposals that would be set out in the final Policy Statement due to be issued on 3 July 2017, particularly where the proposals go further than the minimum standards required by MiFID II. These proposals, set out in the paper presented to the meeting, related to:

- extending the changes to research costs required by the directive to collective portfolio managers falling outside its scope by making them apply broadly equivalent standards
- taping of conversations, and in particular how this requirement is applied to retail financial advisers, corporate finance business and by discretionary investment managers
- restrictions on inducements to preserve arrangements implemented with the Retail Distribution Review
- client categorisation (as applied to Local Authorities)
- postponing the extension of the Best Execution regime to collective portfolio managers other than undertakings for collective investments in transferable securities (UCITS)

18.3 After further discussion, the Board **agreed** with the policy proposals described in the paper.

## **19 The FCA's proposed role in relation to the Single Financial Guidance Body (SFGB)**

19.1 The Board was reminded that in December 2016 the Government announced its intention to create the SFGB, a non-departmental public body bringing together the functions currently performed by the Money Advice Service (MAS), the Pensions Advisory Service and PensionWise. The Board was briefed on a number of proposals that the Department for Work and Pensions was considering, and noted that these remained subject to Ministerial approval.

## **20 Rules & Guidance to be determined**

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

## **21 Minutes of Executive Committee meetings**

21.1 The Board noted the minutes of the Executive Committee meetings held on 6, 23, 28 & 29 March 2017 and 3, 11, 12 & 18 April 2017.

## **22 Forward Agenda**

22.1 The Board noted the forward agenda.

## **23 Any other business**

23.1 There being no further business, the meeting closed.

**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
Nausicaa Delfas	Chief Operating Officer
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Mark Steward	Director, Enforcement & Market Oversight

### **Also attending for the following items:**

2	Jonathan Pearson	Manager, Retail Competition
	Mary Starks	Director, Competition and Economics
3	David Godfrey	Director, Finance
	Keren Oser	Manager, Finance
4	Vito Capobianco	Manager, Finance
10	Andy Cobbett	Chief Information Security Officer
	Robin Jones	Head of Technology, Resilience & Cyber
13	Jennifer Dalby	Manager, Business Planning & Prioritisation
	David Godfrey	Director, Finance
14	David Godfrey	Director, Finance
	Stephen Humphreys	Head of Corporate Communications
	Alex Nicoll	Manager, Financial Accounting
15	David Godfrey	Director, Finance
	Grahame Tinsley	Manager, PSR Operations
16	Alison Barker	Director, Specialist Supervision
	Nick Holloway	Manager, GCD Investment, Insurance and Redress
	Stephen Humphreys	Head of Corporate Communications
	Emma Stranack	Head of Business & Consumer Communications
17	Stephen Humphreys	Head of Corporate Communications
	Alex Roy	Manager, Strategy Development
18	David Geale	Director, Policy
	Stephen Hanks	Manager, MiFID Coordination

19	David Geale	Director, Policy
	Jed Hodgson	Manager, Consumer Partnerships
	Alexander Smith	Manager, Pensions Decumulation



## **ANNEX B: Resolution**

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

Handbook Administration (No 46) Instrument 2017 (FCA 2017/29)

Conduct of Business Sourcebook (Pension Annuity Comparator) Instrument 2017 (FCA 2017/30)

Enforcement (Bank Recovery and Restitution Order 2016) Instrument 2017 (FCA 2017/31)