

## Minutes

<b>Meeting:</b>	FCA Board
<b>Date of Meeting:</b>	15 December 2022
<b>Start time:</b>	13:00
<b>Venue:</b>	Meeting held via Microsoft Teams

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<b>Members Present:</b>	Richard Lloyd (Chair) Alice Maynard Bernadette Conroy Jeannette Lichner	Liam Coleman Nikhil Rathi Sam Woods
<b>In attendance:</b>	Set out in Annex A	
<b>Presenters:</b>	Set out in Annex A	
<b>Apologies:</b>	None	

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### 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 the Chairs of Board Committees

- 2.1 The Board noted the report from the Chair of the Joint Audit and Risk Committee (JARCO) meeting held on 08 December 2022, in particular the transformation infrastructure programme and ensuring that is joined up with other change programmes across the FCA and had met its objectives. The meeting also discussed the oversight and assurance of the Executive Finance and Delivery Committee and the outcomes of the independent review implementation activity. It was noted that work was being considered to take forward the ongoing transformation and continuous improvement function as one function for the whole FCA. The Board welcomed continued assurance through JARCO that transformation was being embedded into BAU and having the intended impact.

### **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 including the Prudential Regulation Committee's consideration of the joint PRA/FCA work on Diversity and Inclusion following the recent discussion paper. The Bank had also recently published its FS Report recognising the increasingly challenging credit outlook. It was noted work was ongoing at the PRA and the FCA to ensure banks were robust heading into this period.

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

- 4.1 Mr Rathi briefed the Board on a number of topical issues, including:
- i. Operational Performance - The Board were briefed on the change programme trends and sought assurance on those trending red or amber. It was advised that following a number of workshops, supplier issues and technology were often the root cause of projects trending red and ongoing uncertainties with the Future Regulatory Framework (FRF) where many decisions were pending from the Government. Lead indicators were being further developed to monitor progress and enable more objective reporting, underpinned by data. It was noted that dual regulated authorisations cases were on track to be within SLA by the end of Q1 2023 and for those cases awaiting action the majority of the actions now rested with the PRA. Explanation of progress would be supported by communications as the division approaches a green state. The positive outcome of the Moneybrain case in the Tribunal was also noted.
  - ii. External engagement – The CEO had recently given evidence to Parliament on liability-driven investments, noting the responsibility of trustees and the role of the Pensions Regulator. The public affairs team had been looking at ways to engage with members of Parliament in a coordinated way to increase understanding of the FCA's remit and processes to support the passage of the Bill and wider FRF work.
  - iii. People – The Board discussed the process by which new joiners are brought up to speed in their role and the time it takes for this to happen. The Board welcomed the significant amount of work that had been done on colleague voice, including the well organised cascade through the organisation which would be supported by follow up sessions taking place in the new year. Both union representative seats on the enhanced Staff Consultative Committee (SCC) had been confirmed and a joint statement with the Chair of the SCC had been shared with staff.

### **5 Strategic and Financial Planning**

- 5.1 The Board discussed the proposals for prioritising the FCA's strategy, including its response to the Government's regulatory reform agenda. This included a joined up approach to financial planning to reflect the organisation's priorities and ensure they are affordable and deliverable. There was a desire to consider more innovative ways to deliver various asks which were being worked through, alongside a more developed understanding of the secondary impact on resourcing. The approach taken to identify the year two priorities was to use the strategic objectives and 13 external commitments in the strategy and work with

teams to run scenario analysis on market conditions. The priorities proposed are therefore a continuation of the strategy with focus on the current evolving context and environment.

- 5.2 The Board sought assurance on planning for potential contingency and capacity for unknown events to ensure the FCA could respond effectively. The team had been working to produce a clearer picture of the change agenda and to identify in advance what would be stopped, paused or slowed down if urgent flexibility was needed. Proposals to set the risk tolerance for the priorities would be discussed with the Risk Committee in the New Year and would include trigger sets for all internal and external strategic risk register risks. Additionally, workshops were taking place to consider the focus points for the regulatory reform work and to include an appropriate consideration of growth and competitiveness, in line with the FCA's priorities.
- 5.3 Communications was discussed, in particular how to position the priorities internally and externally. Internally, Directors and Heads of Departments would be taken through the prioritisation before the plan is announced to help support staff. Externally, this aligns with previous communications that the priorities are part of the three year strategy and this is the work that will be focused on in year two. The Board emphasised the importance of clarity in communications, particularly ensuring it is understood what is meant by key words, recognising they can be interpreted differently.
- 5.4 The Board discussed crypto assets and noted that while aspects would appear in all four priorities, it would largely sit within regulatory reform. It noted the focus for the FCA was on interventions that would make the biggest difference and to ensure it was keeping up with big developments in the market, including crypto. Additional headcount had already been agreed to take this forward.
- 5.5 The Board **supported** the proposed priorities and welcomed further work on the impact of taking decisions to slow or stop other work. The Board encouraged creative solutions to resourcing and emphasised the importance of clearly articulating what is being de-prioritised. It noted further discussions were taking place in the New Year to agree the FCA's risk tolerance in regard to the strategy and to identify second order consequences.

## **6 Financial Services Compensation Scheme (FSCS) Management Expenses Levy Limit (MELL) 2023/24**

- 6.1 The Board discussed the FSCS's proposed MELL for 2023/24 for joint consultation with the PRA in January 2023. The FSCS is funded by levies on the industry to meet both its compensation costs and management expenses. Under the Financial Services and Markets Act (FSMA), the FCA has certain oversight functions in relation to the FSCS and it must ensure that the FSCS is capable at all times of exercising its statutory functions, including reviewing and approving the FSCS' MELL, which sets the maximum amount of management expenses that can be raised across the FCA and PRA funding classes. This is done prior to the Regulators making rules setting the MELL which are effective from 1st April each year.
- 6.2 The Chair of the Oversight Committee updated the Board on discussions with the FSCS on this issue and gave assurance that it was confident the Board could approve the MELL and have received the necessary information to give this assurance to the Board, including that contingency had been reserved for British Steel Pension Scheme redress scheme and that the FSCS was planning with adequate resources to ensure smooth running. The Committee was engaging with the FSCS on evaluating options for where the investment spend would

be used and seeking assurance on value for money, including the level of management expense relative to overall volumes of compensation, which should be kept under review. The Chair of the Oversight Committee also noted that engagement with the FSCS Chair was ongoing, to support the Committee in fulfilling its responsibilities.

- 6.3 The Board raised a number of issues that would be fed back to the FSCS during the consultation process, including the need to recognise the context of the tough economic backdrop for firms that will have to pay for the MELL and ensuring efficient claim handling, including for complex cases.
- 6.4 The Board **approved** the FSCS MELL for 2023/24 for consultation jointly with the PRA in January 2023.

## **7 Rules, Guidance and Technical Standards to be determined**

- 7.1 The Board **resolved** to make the following instruments:
- i. Collective Investment Schemes (Individually Recognised Overseas Schemes and Miscellaneous Amendments) Instrument 2022
  - ii. Handbook Administration (No 62) Instrument 2022

## **8 Decisions of the Board**

- 8.1 The Board **approved** the minutes of the meeting held on 24 November 2022.
- 8.2 The Board **noted** the action log and **approved** the closure of completed actions.
- 8.3 The Board **noted** the following decisions taken by Written Procedure since the last meeting:
- i. ESG Advisory Committee to the Board
  - ii. FCA Standards Instrument: The Technical Standards (Bilateral Margining) Instrument 2022
- 8.4 The Board **approved** the variance of the PSR budget within FY22/23 as proposed and noted that this had largely been a result of unprecedented demand, with unplanned work and unexpected cost. Projects that had overspent, had been offset by projects that had underspent budgets during the year. The PSR Board and Audit Committee gave assurance that the additional spend had been accounted for.
- 8.5 The Board **approved** the reappointment of David Geale to the PSR Board for a 3-year term from 12 February 2023 to 11 February 2026.
- 8.6 The Board **noted** the results report of the Board Effectiveness Review and reflected that the results evidenced that good progress had been made to improve the efficiency and focus of

the Board and were positive about the direction of travel. The Chair agreed to appoint a working group to discuss the results in detail, take forward actions needed and review progress against the governance working group plan. The Executive Committee also agreed to discuss the results and reflect on the feedback given.

- 8.7 The Board **approved** the reappointment of Law Debenture (represented by Samantha Pitt) as an Employer Appointed Director of the FCA Pension Plan.
- 8.8 The Board **approved** a short-term extension to the contractual term of the Regulatory Decisions Committee's (RDC) Deputy Chair.
- 8.9 The Board **approved** delegation of the final agreement on the prospective tenant in Endeavour Square to the CEO and Chief Operating Officer. The Board recognised the importance of good internal communications when announcing this to staff and being sensitive to concerns about sharing communal spaces with a partner organisation.
- 8.10 The Board **approved** the Technology Stability Programme investment case and funding request and welcomed the additional focus on ensuring the FCA remains resilient and robust, and the approach to dealing with incidents and remediation to root causes when they occur. It was noted that the Audit Committee is taking forward discussions with the Executive Finance and Delivery Committee on how spend is overseen.
- 8.11 The Board **supported** the overall approach to the evolution of the Data, Technology and Innovation Strategy including the proposed workstreams and priorities and the importance of tight alignment with the FCA wide three year strategy. The Board discussed how best to ensure risks were incorporated into the dependencies of all ongoing projects and that the impact, including cost savings and efficiencies, of tools and process that have been enabled is tracked and measured. It was **agreed** that the Joint Audit and Risk Committee would oversee progress on this.
- 8.12 The Board **approved** a £30m pre-allocation of the 2023/24 budget for Executive Finance and Delivery Committee to use against drawdown requests received this financial year but which would impact on spend in the next financial year.

## **9 Papers for noting**

- 9.1 The Board **noted** the Independent Panels Reports.

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  
Jessica Rusu – Executive Director, Chief Data, Information and Intelligence Officer  
Emily Shepperd – Executive Director, Authorisations  
Mark Steward – Executive Director, Enforcement and Market Oversight  
Steven Braviner Roman – Executive Director, General Counsel  
Nausicaa Delfas – Executive Director, Governance  
Aidene Walsh – PSR Interim Chair  
Miles Bake – Director, Company Secretary  
Graeme McLean – Head of Department, Chief Executive Office

### **Presenters:**

<b>Item 6 - Strategic and Financial Planning – Proposals for prioritising our Strategy, including our response to the Government's Regulatory Reform Agenda</b>	Kate Collyer - Director Craig Chapman - Director David Raw - Director Alex Smith – Head of Department Greg Sachrajda - Head of Department
<b>Item 7 - Financial Services Compensation Scheme (FSCS) Management Expenses Levy Limit (MELL) 2023/24</b>	Jonathan Pearson – Senior Manager

Other relevant associates were also in attendance.