

Minutes

Meeting: FCA Board

Date of Meeting: 24 and 25 July 2019

Venue: 12 Endeavour Square, London, E20 1JN

Present: Charles Randell (Chair) Catherine Bradley
Andrew Bailey Amelia Fletcher
Sarah Hogg Richard Lloyd
Nick Stace Christopher Woolard
Sam Woods (25 July only)

In attendance: Set out in Annex A

Apologies: None

1 Quorum and declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business.

2 Annual Enterprise-wide Risk Management (EWRM) Report

- 2.1 The FCA Board considered the annual EWRM report including the priority risk themes, the key operational and execution challenges impacting the FCA and the actions to mitigate the risks and challenges.
- 2.2 The Board discussed the methodology and use of the report to ensure risks were appropriately actioned and addressed. Risk reporting had been successful in prompting a number of projects across the organisation to ensure the risks were focused and appropriately challenged and mitigated. The Board noted that in future the reporting would be synchronised so that it could be used to inform the operational and execution risks around the business plan and associated priorities for the year ahead to enable appropriate mitigating actions to take place.
- 2.3 The Board noted the Public Confidence Risk Report was now included in the EWRM report. It recognised the importance of public confidence risk as an underlying theme for many of the other risks identified, particularly given changes in the external environment. For future reports, Risk and Compliance Oversight are to put a public confidence lens on all risks (instead of a distinct public confidence section), and additionally highlight any “pure” public confidence risks that have a root cause external to the actions or activities of the FCA.
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3 Organisational Transformation

- 3.1 The Board discussed the organisational transformation workstream and noted the ambitious programme of activities to support the project. They discussed the importance of ensuring there was a strong narrative to ensure that staff were fully engaged in the plans.
- 3.2 The Board requested a further update on the project with details on timing, costs and the risks considered by the Executive Committee.

4 Communications Strategy

- 4.1 The Board was briefed on the FCA Communications Strategy to strengthen the understanding of the FCA's vision, role, remit and agenda to demonstrate public value. The focus would be on telling a story to explain the future of regulation as well as being more transparent about the FCA's everyday work.
- 4.2 The Board supported the strategy and welcomed a more proactive and audience-targeted approach to communications.
- 4.3 The Board requested a further update on the communications strategy as work continued to progress.

5 Minutes of the FCA Board

- 5.1 The Board **approved** the minutes of the FCA Board meeting held on 27 June 2019.

6 Matters arising

- 6.1 The Board **noted** the progress with the matters arising from previous meetings.
- 6.2 The Board agreed that action 8.2 from the April 2019 meeting was now closed.
- 6.3 The Board noted that action 16.3 from the April 2019 meeting was due to go to the External Risk and Strategy Committee (ERSC) in September, as part of the wider update of the strategy framework process, which would close this action.
- 6.4 The Board requested a lessons learned note following the publication of the Zelmer review into the prudential supervision of the Co-op Bank, including any implications for the FCA as a prudential supervisor.

7 Report from the Chief Executive

- 7.1 The Board **discussed** the report from Andrew Bailey.
- 7.2 The Board noted the update on Woodford.
- 7.3 The Board noted the update on mini bonds and Innovative Finance ISAs, and requested a discussion on what further action needed to be taken.
- 7.4 The Board noted the update on Whistleblowing, including the All Party Parliamentary Group's Report. The Board noted the executive's actions aimed at enhancing the organisation's handling of whistleblowers and requested an update on progress, including a qualitative assessment of whistleblower satisfaction.
- 7.5 The Board noted recent work on sustainable finance and the FCA's green finance strategy to ensure green disclosures were fair. As this was noted to be a growing issue, the Board requested the ERSC to consider the issues in more detail.

8 EU Withdrawal

- 8.1 The Board were advised that the FCA was continuing its work to prepare for the possibility of a 'no-deal' exit from the EU in October 2019, and that preparations and priorities for EU withdrawal in general had not materially changed since the previous exit date. Some outstanding challenges remained but the FCA was engaging closely with firms through its usual supervision activities and with smaller firms through targeted communications. The Board encouraged the FCA to continue engagement with Treasury and Government to highlight risks, priorities and proposed solutions.
- 8.2 In relation to the FCA's broader international strategy, the Board noted work to enhance the FCA's international engagement to support open markets and cooperation with peers.
- 8.3 The Board requested a session at the next meeting to continue monitoring key issues, and suggested holding an extended session at the November Board for an update on the impact of Brexit, if it had then taken place, and to address any immediate risks and the implications for the FCA's international strategy.

9 Pensions Master Trust

- 9.1 The Board was updated on the status of the Trustees of the FCA Pension Plan's application to The Pensions Regulator to operate the Plan as an authorised Master Trust. The Board recognised there would be costs and other challenges associated with operating an authorised Master Trust.

10 Annual Corporate Responsibility Update

- 10.1 The Board discussed the Corporate Responsibility annual update with a particular focus on the FCA's diversity and inclusion priorities and the community engagement programme. The Board noted that while there had been a minor decrease in the employee survey score on Corporate Social Responsibility, it remained one of the top three strengths for the organisation (73%).
- 10.2 The Board encouraged the FCA to continue supporting a wide range of volunteering opportunities, including both professional activities and other broader activities.
- 10.3 The Board requested an update on proposals for how the FCA could measure the effectiveness of the Corporate Responsibility strategy. The Board also considered whether its sustainability work should be dealt with under a separate programme.

11 Pension Transfer Advice

- 11.1 The Board discussed the proposed remedies on pension transfer advice, including a proposal to consult on banning contingent charging. The Board noted the proposed safeguards in place to ensure contingent charging could not be redirected elsewhere in the transaction, and noted the potential benefits in removing incentives for firms to give poor advice.
- 11.2 The Board noted the importance of ensuring there are clear and meaningful communications and guidance to industry.
- 11.3 The Board **agreed** that the FCA should proceed to consult on a ban on contingent charging for Defined-Benefit to Defined-Contribution pension transfer advice.

12 Report from the PRA

- 12.1 The Board received an update from Mr Woods on matters relating to the PRA.

13 Sector Framework, Business Planning & Prioritisation

- 13.1 The Board discussed the proposed approach to business planning and prioritisation, and the key themes along with the next steps.
- 13.2 The Board noted that the expectation of the key themes was to capture a high-level range of priorities running across the organisation, supported by more specific outcome-driven goals. The Board noted that the priorities would need to be measurable to ensure momentum and commitment, whilst providing for a degree of flexibility given the current uncertainties.
- 13.3 The Board **agreed** the proposed structure for the sector framework.

14 BTS Strategy and Commercial Position

- 14.1 The Board discussed a BTS Strategy.
- 14.2 The Board **agreed** that Business Technology Services could proceed with the recommended commercial approach and requested a further discussion at the Board with detailed proposals and next steps.
- 14.3 The Board requested a lessons learned paper on technology procurement to be discussed at the Audit Committee.

15 FCA Panel Survey 2019

- 15.1 The Board discussed the joint FCA and Practitioner Panel Survey 2019 report.
- 15.2 The Board noted that the results of the joint FCA and Practitioner Panel Survey showed improved confidence in the FCA's implementation of its consumer protection and market integrity objectives, but overall a slight decrease in the competition objective. There was a perception of an increase in the number of data requests made and recognition that staff turnover in supervision could cause disruption to firms with established relationships. The survey showed concern from the industry about the FCA's approach to innovation and during the discussion it was suggested that there was a disconnect between the excellent work with the sandbox and the process of progressing new products through "business as usual" channels. The Board also noted that the results suggested some anxiety relating to firms acting around the perimeter and the FCA's ability to intervene.
- 15.3 The Board supported the proposal of exploring a response to the survey either from the FCA or jointly with the Panel.

16 Monthly Reports from the Independent Panels

- 16.1 The Board received reports from the Consumer Panel, Practitioner Panel, Smaller Business Practitioner Panel and the Listing Authority Advisory Panel. Members of the executive who had attended the respective panel meetings also briefed the Board on key issues highlighted in the reports.
- 16.2 The comments from the Consumer Panel on access to cash were noted. The Board requested a response be sent to the Panel to confirm that the FCA and PSR's position was to maintain consumer choice of payment methods, which the FCA and PSR would continue to support, while recognising the decline of cash. The comments from the Listing Authority Advisory Panel on green and sustainable finance, and from the Smaller Business Practitioner Panel welcoming the FCA's intervention on motor finance were also noted.

17 Papers for noting

17.1 The Board **noted**:

- The agenda of the External Risk and Strategy meeting held 3 July 2019
- The agendas of the Oversight Committee meetings held 11 July 2019
- The agenda of the Payment Systems Regulator Board meeting held 18 July 2019
- The minutes of the Payment Systems Regulator Board meeting held 11 June 2019 and 26 June 2019
- The paper describing the proposed feedback statement on effective competition in non-workplace pensions

18 Decisions of the Board

18.1 The Board **approved** the final Guidance on Cryptoassets.

18.2 The Board **approved** the appointment of Richard Lloyd to the Oversight Committee with immediate effect.

18.3 The Board **approved** the appointment of Marlene Shiels as Chair of the Smaller Business Practitioner Panel from 1 October 2019 to 30 September 2021, subject to the approval of HM Treasury.

18.4 The Board noted that it had approved the Prospectus Regulation Rules Instrument 2019 on 12 July 2019.

19 Rules and Guidance to be determined

19.1 The Board **passed** the resolution to make the following instruments:

- a) Conduct of Business Sourcebook (Investment Pathways) Instrument 2019
- b) Fees (Office for Professional Body Anti-Money Laundering Supervision) (No 2) Instrument 2019/20
- c) Individual Accountability (FCA-Authorised Firms) Instrument 2019
- d) Handbook Administration (No 50) Instrument 2019

20 Papers to be noted

20.1 The minutes of Executive Committee meetings held on 5 and 14 March and 4, 16 and 29 April 2019 were noted.

20.2 The Minutes of Executive Risk and Policy Committee meetings held on 16 April, 23 May and 17 and 24 June 2019 were noted.

20.3 The Board noted the forward agenda.

21 Any other business

21.1 There being no further business, the meeting closed.

Charles Randell
Chairman

ANNEX A: Attendees

Jonathan Davidson	Director, Supervision, Retail and Authorisations
Nausicaa Delfas	Director, International
Sean Martin	General Counsel
Georgina Philippou	Chief Operating Officer
Sheree Howard	Director, Risk and Compliance Oversight
Simon Pearce	Company Secretary
Allyson Milano	Company Secretarial Assistant
Beverley Walker	Acting Deputy Company Secretary

Attending for the following items:

2	Jose Morago	Head of Department, Risk & Compliance Oversight
	Paul Ross	Technical Specialist, Risk Tolerance
3	Georgina Philippou	Executive Director, Operations
	William Hague	Director, Human Resources
	Andrew Whyte	Director, Communications
4	Andrew Whyte	Director, Communications
8	Lee Foulger	Head of Department, International
	Greg Sachrajda	Head of Department, International
	Martin Boffey	Head of Department, GCD EU Coordination
	Abigail Seal	Manager, Strategic and Stakeholder Comms
9	David Godfrey	Director, Finance
	Kate Maloney	Manager, Finance, Pension Plan Trustee
	Dan Naylor	Travers Smith, Legal Adviser

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| 10 | Sara Nursaw | Manager, Corporate Responsibility |
| 11 | Edwin Schooling Latter
Pritheeva Rasaratnam
Bianca Garwood | Director, Markets Policy
Head of Department, Pension and Funds
Manager, Pensions Decumulation |
| 13 | William Hague
Clare Bolingford
Joe Weller | Director, Human Resources
Head of Department, Ring-Fencing Programme
Technical Specialist, Strategy |
| 14 | Martin Bellamy
Andrea Griffiths
Damon Birrane
Joe Usher | Director, BTS
Head of Department, BTS, Infrastructure & Operations
Manager, BTS, Supplier Management
Technical Specialist, Operations |
| 15 | Anne Richard
Catherine Grant
Clare Bolingford | Practitioner Panel Chair
Kantar Public
Head of Department, Ring-Fencing Programme |
| 16 | Sheldon Mills
Brian Corr | Director, Competition
Head of Department, Retail Competition |

Other relevant Associates also attended the meeting.