

Minutes

Meeting: FCA Board

Date of Meeting: 20 and 21 November 2019

Venue: 12 Endeavour Square, London, E20 1JN

Present:

Charles Randell (Chair)	Catherine Bradley (<i>items 1-3</i>)
Andrew Bailey	Liam Coleman
Amelia Fletcher	Sarah Hogg (<i>items 1- 15 & 18.3</i>)
Richard Lloyd	Alice Maynard
Nick Stace	Tommaso Valletti (<i>items 1-3</i>)
Christopher Woolard	Sam Woods (<i>item 10 onwards</i>)

In attendance: Set out in Annex A

1 Quorum and declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business. The following interests in the business of the meeting were declared:
- Liam Coleman declared, in relation to item 15, that he had previously been chief executive officer of the Co-operative Bank plc. The Board agreed that this did not represent a conflict of interest as the item related to the lessons to be learned by the FCA from the recommendations of the Zelmer report.
 - Charles Randell declared, in relation to an item to be discussed as part of the Chief Executive's report, that he had previously been a partner of Slaughter and May. The Board agreed that this did not represent a conflict of interest as he had ceased to hold this position prior to the relevant period.
 - Amelia Fletcher declared, in relation to item 2, that she was a non-executive director of the Competition & Markets Authority. The Board agreed that this did not represent a conflict of interest.
- 1.2 Catherine Bradley informed the Board that she was seeking its permission, and that of HM Treasury, to be appointed as a non-executive director of easyJet plc. The Board confirmed that it was content for Ms Bradley to take this position.

2 A new consumer duty

- 2.1 The Board was briefed on the proposed content of a Consultation paper on a New Consumer Duty, to be issued following the Feedback Statement on a Duty of Care. It was noted that this proposal fell naturally into the proposed wider review of the Future of Regulation.
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3 Price discrimination in the cash savings market

- 3.1 The Board was reminded that in 2018, the FCA issued a Discussion Paper on price discrimination in the cash savings market, which had proposed the concept of a “Basic Savings Rate” (BSR) as a potential remedy. The Board discussed the responses to the discussion paper.

4 Secretariat update

- 4.1 The Board was briefed on changes to the organisation of the Board Secretariat, including the proposed combination with the secretariat currently supporting the executive committees.

5 Minutes of the previous meeting

- 5.1 The minutes of the meeting that took place on 23 and 24 October 2019 were **approved**.

6 Matters arising

- 6.1 The Board **noted** the progress with the matters arising from previous meetings.

7 Reports from Chairs of Board Committees

- 7.1 The Board was briefed, by the respective chairs of the committees, on the business conducted at the meetings of the Oversight Committee that took place on 12 November, the meeting of the External Risk and Strategy Committee that took place on 31 October and the meeting of the Remuneration Committee that took place on 20 November.
- 7.2 The Board approved the recommendation of the Remuneration Committee in relation to the annual pay and bonus budget.

8 Monthly Reports from the Independent Panels

- 8.1 The Board **reviewed** the reports from the Practitioner Panel, the Smaller Business Practitioner Panel and the Consumer Panel.

9 Report from the Chief Executive

- 9.1 Mr Bailey briefed the Board on a number of topical issues.

10 Update on the evaluation of the Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR)

- 10.1 The Board noted that as a part of the review of RDR and FAMR, a Call for Input had been launched in May 2019 together with other evidence-gathering initiatives. The Board discussed the initial analysis of the evidence received to date.
- 10.2 The Board sought to understand whether the FCA itself was a barrier to entry in this sector and was informed that the team was engaging with firms specifically on this point in order to understand why new advice models were not being developed. The Board was also keen to ensure that the FCA learned from models and approaches in other territories that worked well and noted that the team planned to engage with relevant international regulators and stakeholders.

10.3 After discussion, the Board **agreed** the next phase of the review.

11 Investment Intermediaries: Portfolio Strategies

11.1 The Board was briefed on the approach to the supervision of financial advisers and wealth managers (investment intermediaries). It noted the challenges presented by the sector, namely its size, the increasing incidence of crystallised harm and the complicated range of issues.

11.2 The Board was briefed on the desired strategic outcomes.

12 EU Withdrawal

12.1 The Board was briefed on the FCA's continued preparations for the exit of the UK from the European Union.

13 Report from the PRA

13.1 The Board received an update from Mr Woods on business of the PRA that was of relevance to the FCA.

14 High Risk Investment Policies

14.1 The presenting team summarised the principal issues that had been identified with the online marketing of speculative debt securities. These included unclear costs, understated risks and overstated returns, as well as the fact that they were frequently marketed as Innovative Finance ISAs. This created a particular timing issue, as the season when demand for ISAs was greatest was approaching.

14.2 The team explained that it therefore proposed that the FCA publish temporary product interventions for speculative debt securities in order to address these concerns immediately. The Board discussed the proposed intervention and noted also the plan to consult in 2020 on plans to strengthen the financial promotions regime for high-risk investments including such securities.

14.3 The Board noted that the proposed intervention was deliberately forward-facing as the FCA did not have the power to take equivalent retrospective action. The team was therefore also working with Supervision teams to address harms where possible using existing powers.

14.4 After discussion, the Board **approved** the publication of the temporary product interventions for speculative debt securities on 26 November 2019, which would apply to authorised firms approving or communicating financial promotions from 1 January 2020 for 12 months.

15 Review of recommendations from the Zelmer Report:

15.1 The Board discussed the recommendations of the Zelmer report and the proposals for taking forward responses to the recommendations of relevance to the FCA.

15.2 The Board particularly noted the recommendations relating to recognising the economic substance of transactions and suggested this should be discussed with the Audit, Reporting and Governance Authority.

16 Board Effectiveness review and proposals for Continuing Professional Development for Board members

- 16.1 The Board was briefed on progress against the recommendations of the most recent Board Effectiveness review.
- 16.2 The Board also discussed arrangements for the next review, which in line with corporate governance practice would again be an internal review.
- 16.3 The Board was briefed on proposals to introduce a more systematic continuing professional development (CPD) programme for board members.

17 Rules and Guidance

- 17.1 The Board **resolved** to make the following instruments:
- a) Training and Competence (Amendment No 8) Instrument 2019 (FCA 2019/95)
 - b) Supervision Manual (Reporting No 12) Instrument 2019 (FCA 2019/96)
 - c) Over-the-Counter Derivatives, Central Counterparties and Trade Repositories (No 3) Instrument 2019 (FCA 2019/97)
 - d) Proxy Advisors (DEPP and EG) Instrument 2019 (FCA 2019/98)
 - e) Conduct of Business (Speculative Illiquid Securities) Instrument 2019 (FCA 2019/99)

18 Decisions of the Board

- 18.1 The Board **approved** that the Document Management Transformation programme should pursue the deliverables as agreed by the Executive Committee, as summarised in the paper presented to the Board and the full Investment Case.
- 18.2 The Board **considered** the outcome of the 2019 Payments Memorandum of Understanding review.

19 Papers for Noting

- 19.1 The Board **noted** the report on integrated outcomes based reporting.

20 Any other business

- 20.1 There being no further business, the meeting closed.

Charles Randell
Chairman

ANNEX A: Attendees

Attending for all, or substantially all of the meeting:

Megan Butler	Director, Supervision – Inv., Wholesale and Specialist
Nausicaa Delfas	Director, International
Sheree Howard	Director, Risk and Compliance Oversight
Sean Martin	General Counsel
Georgina Philippou	Chief Operating Officer
Simon Pearce	Company Secretary
Mark Steward	Director, Enforcement and Market Oversight (<i>not item 15</i>)
Beverley Walker	Manager, Board Secretariat

Attending for the following items:

2	Nisha Arora John Dyson Robin Finer Katie Fisher Alexander Smith	Director, Consumer & Retail Policy Manager, GCD HoD, Retail Competition HoD, S&C Policy Manager, Culture & Governance
3	Nisha Arora Robin Finer Marc Maxfield Alex Roy	Director, Consumer & Retail Policy HoD, Retail Competition Manager, GI & Protection Manager, Consumer Distribution
10	Nisha Arora Debbie Gupta Marc Maxfield Chris McGrath Alex Roy	Director, Consumer & Retail Policy Director, Life Insurance & Financial Advice Manager, GI & Protection HoD, Retail Investments Manager, Consumer Distribution
11	Debbie Gupta Chris McGrath Alex Roy Richard Wilson	Director, Life Insurance & Financial Advice HoD, Retail Investments Manager, Consumer Distribution TS, Pensions Decumulation
14	Lucy Castledine Kate Hinchy Alex Roy Andrew Whyte Adam Wreglesworth	HoD, Retail Lending Manager, Retail Distribution Manager, Consumer Distribution Director, Communications TS, Wholesale Conduct Policy
16	Jeanette Bateman	Manager, RCO Review