

Minutes

Meeting:	FCA Board
Date of Meeting:	21 and 22 February 2018
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS
Present:	John Griffith-Jones (Chair) Ruth Kelly Andrew Bailey Jane Platt Catherine Bradley Nick Stace Amelia Fletcher Christopher Woolard Bradley Fried Sam Woods Sarah Hogg
In attendance:	Set out in Annex A
Apologies:	Sam Woods (21 February)

1 Quorum and Declaration of Interests

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 None of the directors present declared any interest in the matters to be considered at the meeting.

2 Minutes of the FCA Board meeting

- 2.1 The Board **approved** the minutes of the FCA Board meeting held on 17 and 18 January 2018.

3 Matters arising

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

4 Updates

- 4.1 The Board **received** updates from the Chairs of the following meetings:
 - Payment Systems Regulator (PSR) held on 24 January 2018
 - External Risk and Strategy Committee (ERSC) held on 9 February 2018
 - Money Advice Service Oversight Committee held on 20 February 2018

5 Corporate Responsibility annual update

- 5.1 The Board received an annual update on the corporate responsibility programme at the FCA, with particular focus on the flagship programme initiative planned for Stratford, and progress in relation to diversity & inclusion.
- 5.2 Acknowledging that 39% of FCA staff currently volunteer, the proposal is to deliver a flagship programme within the new community in Stratford on which impact could be measured. Research on Stratford had shown that the focus on young people and their transition from primary to secondary schools would help to address the vulnerability of this age group and current gaps in provision. 'Inspiring futures' would be launched in September and would aim to build resilience, aspiration and motivation in local youths, with FCA staff working initially with two schools, their pupils and their parents/carers.
- 5.3 In addition to the planned modules to be delivered in schools, with future accreditation and an informal graduation being explored, there were proposals to bring young people into the FCA. It was hoped that more schools in Newham and Edinburgh could be added to the programme in future.
- 5.4 The Board welcomed the initiative and felt it would provide a tangible connection for the organisation and staff within the Stratford community. The initiative could also facilitate internal efforts on diversity and inclusion.
- 5.5 In terms of diversity and inclusion, the Board was updated on the initiative which had been launched with a view to building a more inclusive culture and increasing the number of women and black and ethnic minority staff at senior leadership (SLT) level. The initiative was being led by ExCo and cascaded to the rest of the organisation. All SLT members had a collective objective and ExCo members are now required to report on what their respective areas are doing to promote diversity and inclusion.
- 5.6 The Board **noted** the report.

6 Approach to Supervision

- 6.1 The Board received a paper outlining the FCA's approach to supervision and how it aligns with the Mission and the approach of other divisions within the FCA working as part of a system of regulation. The document would be published as part of the "Approach to" series.
- 6.2 The document described the focus of supervision as being to maintain continuous oversight of regulated firms to identify, reduce or prevent harm to consumers and markets. Supervision would give greater scrutiny and focus to the firms that pose the greatest risk of harm to consumers and market integrity. Going forward, Supervision would assess sectors, markets and firms with similar business models on a 'portfolio' basis, to identify outliers and key risks needed to be addressed in the FCA's work with firms. The new approach emphasised the importance of a thorough understanding of business models, strategies and cultures of the firms regulated by the FCA, as well as strong dialogue with firms and consumer groups.
- 6.3 The document was felt to demonstrate an increased focus on the culture of firms and the Board was advised about the publication of a collection of essays on culture in financial services which would provide a basis for stimulating further debate on transforming culture in the sector.
- 6.4 A number of suggested changes to the document were made and in addition the Board recommended that the tone of all the "Approach to" documents should be aligned. The importance of how the series of documents are presented externally was stressed.

7 Approach To Enforcement

- 7.1 The circulated paper outlined the FCA's approach to Enforcement and how it aligns with both the FCA's Mission and the approach of other divisions within the organisation. In particular the document aimed to set out a clear distinction between supervision and enforcement. The document would be published as part of the "Approach to" series.
- 7.2 The document suggested that good enforcement involved earlier detection, quicker investigations with fairness consistently applied. It was also noted that heavy penalties do not necessarily encourage good behaviour and that the right outcomes are more important. There was also acknowledgement of the level of judgement needed in the practice of enforcement and the need to therefore allow for differing outcomes.
- 7.3 The Board made a number of suggested changes to the document. Following on from the discussion on the Supervision document earlier in the meeting, it was pointed out that the introductions to the approach documents were very different and would benefit from being consistent where possible.

8 Report from the Chief Executive

- 8.1 The Board discussed Mr Bailey's report on developments since the last meeting including:
- British Steel Pension Scheme - It was noted that information had been provided to the Chair of the Work and Pensions Select Committee on the work which the FCA had undertaken on defined benefit transfers in the wake of the events relating to the British Steel Pension Scheme (BSPS).
 - The Senior Managers and Certification regime (SM&CR) - the Board noted the planned work in connection with the FCA Register including the impact of the extension of SM&CR. There would be some short term work to improve the usability of the current register and longer term work in connection with certified persons and the implementation of SM&CR. The Board requested an update on both streams of work.
- 8.2 The Board **noted** the Chief Executive's report.

9 Q3 2017/18 Quarterly performance report

- 9.1 The Board received the performance report for quarter 3 of 2017/18 and the key work streams in each area were noted as follows:
- Retail Supervision and Authorisations – All thematic projects are green and more governance, including milestones had been included in multi firm projects. The presentation of the thematic reviews, aligning them with market studies, was welcomed by the Board. It was noted that the pricing practices exploratory work in general insurance firms was ongoing and the Board requested that the findings be brought to a future meeting. It was noted that the Delivering Effective Supervision initiative was reporting red due to delays within the Risk Management work stream and the Board was keen that this be resolved as soon as possible.
 - Supervision – Investment and Wholesale – EU withdrawal, supervising firms following implementation of MiFID II and work associated with the British Steel Pension Scheme had increased the workload of the division. Consequently some reprioritisation of thematic work was taking place.
 - Enforcement and Market Oversight – the number of investigations were starting to level out and ongoing work to processes would ultimately reduce numbers further.

Investigations under the new process are being concluded faster than under the previous approach.

- Strategy and Competition - of the key projects within the division, credit cards is the only one reporting red; and although EU withdrawal is reporting amber it is now in a better place as resources to support the project and delivery have been agreed.
- Operations - turnover of staff is stable but continued to be monitored. Challenges recruiting specialist staff remained. It was noted that the cloud migration programme was currently red and was awaiting prioritisation of demand. Operations continued to progress initiatives to improve efficiency and effectiveness of the Division.

9.2 The Board **noted** the Q3 performance report.

10 Report from the Prudential Regulatory Authority (PRA)

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

11 Monthly Report from the Independent Panels

11.1 The Board reviewed and discussed the reports from the Financial Services Consumer Panel, the FCA Practitioner Panel, the FCA Smaller Business Practitioner Panel (SBPP), FCA Markets Practitioner Panel (MPP) and the FCA Listings Authority Advisory Panel (LAAP).

11.2 The Consumer Panel had raised the issue of open banking and its concern that the FCA Register is not fit for purpose making it difficult to find firms. The SBPP's report also raised concerns about the new Register and the need for clarity that the firms, rather than the FCA, will be responsible for the information it contains in relation to certified persons.

11.3 It was noted that the MPP had expressed concerns about the planned replacement for Libor and the ability of the markets to make the necessary adjustments in the required timescale.

11.4 The LAAP report raised the lack of clarity regarding the meaning of 'inside information' in the context of the Market Abuse Regulation (MAR). The Board noted the uncertainty expressed by LAAP in relation to disclosure obligations in the event a regulatory investigation is launched.

11.5 The Board **noted** the monthly reports from the Independent Panels.

12 Draft FCA Business Plan & Budget 2018/19

12.1 The Board received the draft FCA business plan and budget for 2018/19 following approval of a flat real Ongoing Regulatory Activity (ORA) budget in October 2017 and reviewing a draft of the budget and plan in January 2018.

12.2 It was noted that as further clarity on the EU transition emerged it would be necessary to consider the impact on the budget. The current philosophy was for the organisation to absorb Brexit related costs where possible and it was felt that this should be made more explicit within the business plan.

12.3 The Board queried whether there should be a better reflection of the macro trends within the business plan particularly as, unlike in previous years, the risk review would not be published alongside the plan. It was confirmed that macro trends were reflected within the sector views, summaries of which would be published alongside the business plan.

- 12.4 Some suggested changes to the document were made and Board members were invited to submit any further comments by 7 March 2018.
- 12.5 The Board **approved** the
- Annual Funding Requirement and Capital Budget for 2018/19.
 - the proposed external communications for the Business Plan 2018/19

13 PSR Annual Plan and budget sign off

- 13.1 The Board received the 2018/19 Annual Plan for the Payments Systems Regulator (PSR) following the consideration of the outline plan by the PSR Board in November 2017 and FCA Board in January 2018. A near final draft was considered by the PSR Board at its January 2018 meeting.
- 13.2 The Board noted that the 'tone of voice' was different from that used by the FCA and it was suggested that this be reviewed. In addition it was felt that the plan would benefit from being more active in some sections and that the risk section could be augmented.
- 13.3 The Board **approved** the PSR's Annual Plan 2018/19 with proofreading and any design changes being delegated to Hannah Nixon, subject to the comments made above.
- 13.4 It was noted that the plan would be published on 21 March and **agreed** that the incoming chair, Charles Randell, would sign off the foreword.

14 Pensions Strategy : Approach and Publications

- 14.1 The circulated paper set out the proposed approach to the publication of a Pensions Strategy – in practice, a series of joint publications and events with The Pensions Regulator (TPR). The strategy aims to address long term savings, pensions and intergenerational issues. The benefits of publishing the strategy jointly with the TPR were noted.
- 14.2 The Board paper set out the joint views of the FCA and TPR on the potential harms in the pensions and retirement income sector, including those related to pension scams or scheme failures. These will be included in the initial position document that will be used to present the initial views of the regulators and to seek feedback from stakeholders. This will be followed in the summer by a final strategy paper setting out the focus of each regulator and how we work together.
- 14.3 The Board acknowledged that there are wider sector issues and that the nature of pensions fragmented markets would make it imperative to manage expectations – notably, the regulators cannot mitigate all potential harms
- 14.4 The Board noted that the joint nature of the project had presented some operational challenges and that publication of the initial document was now due in March 2018, slightly later than originally planned. There were planned engagement events to support the publication of the strategy and to seek feedback from firms, trade associations and consumer groups. There were also plans to engage with the Treasury and Department of Work and Pensions. The Panels have welcomed this work and the intention to work with TPR.
- 14.5 The Board noted that dependent on the developing risk appetite of each regulator, and the eventual articulation of the harms, it may become more appropriate for the FCA and TPR to publish separate versions of the final document. However, the aim remains to present a joint picture at this stage.

14.6 The Board welcomed the strategy and **approved** the proposed approach for publication of the joint Pensions Strategy with TPR.

15 BritainThinks Annual Stakeholder Research

15.1 Cordelia Hay of Britain Thinks was welcomed to the meeting to present the findings of the fifth annual external stakeholder survey. The survey had been brought forward this year to allow the findings to better inform business planning and the communications strategy for the ensuing year.

15.2 The highlights of the findings were that:

- The FCA's reputation score is the highest since tracking began;
- Perceptions that the FCA is moving in the right direction have been consolidated, resulting in more focus by stakeholders on 'business as usual' challenges;
- There is a perception of continued focus on consumer protection, though some consumer groups think there is a softening of approach;
- It is perceived that the FCA has been very quiet on Brexit to date and stakeholders are therefore unsure of its stance on key issues; and
- The FCA's communications remain positively viewed.

15.3 Welcoming the report the Board agreed that every effort should be made to maintain the upward trajectory. The Board noted the drop in the consumer protection rating and were keen to ensure that this dropped no further. It was acknowledged that a way of both tracking and communicating the on-going work on Brexit needed to be explored.

15.4 The Board **noted** the report.

16 Communications At our Best review

16.1 Jenny Scott, former Executive Director of Communications at the Bank of England and Russell Grossman, Director of Communications, Office of Rail and Road, attended to present the report.

16.2 The Board was advised that the communications At our Best review was conducted with the aim of ensuring that the FCA communications function operates to the highest professional standards and delivers its objectives effectively and efficiently. The peer review methodology used took account of the particular challenges faced by communications functions within the public sector.

16.3 The review had found that overall the function was working effectively at an operational level with high quality outputs. It was felt that the communications function had matured and stabilised since the Davis inquiry. However, the review also concluded that the organisation would benefit from more strategic input from communications and a greater collective responsibility for communications from the Executive Directors.

16.4 The Board **noted** the outcomes of the review and that ExCo will make the necessary decisions as to which recommendations should be adopted. The Board requested that it be appraised of progress made.

17 FCA Scotland Office Strategy

17.1 The Board was advised that a Head of Scotland Office had been appointed in 2017 to enable better engagement with the Scottish financial services community. Following the

appointment the FCA Scotland Office strategy has been developed as part of wider plans on engagement in Scotland. This strategy is being developed ahead of the lease break on the Office's current premises and the circulated paper set out the principles for setting the strategy.

- 17.2 The Board was pleased to hear that staff in Scotland are very positive about ensuring alignment with the Mission and the London office but of also taking advantage of their location to engage with the Scottish Executive and build networks across regulatory and other communities.

18 Risk & Compliance Oversight (RCO) Review Team Annual Report

- 18.1 The RCO review team annual report provided an overview of the work of the second line from December 2016 to date, and would provide the Board with further assurance for signing off the risk framework within the annual accounts.

- 18.2 Over the reporting period, 19 reports had been issued, either providing the organisation with assurance or observations, with three identified themes across all the reviews.

- Documenting of rationale for regulatory decisions
- Clarity of roles and responsibilities
- Measuring success and value for money

- 18.3 Whilst teams review their own work and how improvements could be made, it was acknowledged that the independent analysis provided by RCO adds value.

- 18.4 It was explained that documentary evidence of plans being put in place to address recommendations made was always requested alongside continuous spot checking. There is also close working with internal audit to determine how both plans dovetail.

- 18.5 It was agreed that following discussion of the report at ExCo themes should be considered by senior management. The plan for future areas of work was due to be considered by ExCo in March.

- 18.6 The Board **noted** the report.

19 Annual Report and Accounts 2017/18

- 19.1 The presenting team advised that this year it was planned to structure the report by sector instead of by statutory objectives as in previous years. The Board discussed the pros and cons of both options and agreed with the approach in principle, but reserved the right to change the structure once they had seen a draft of the report and had assessed the proposed content.

- 19.2 It was confirmed that sector chairs would sign off their respective sections of the report prior to approval of the full Strategic Report by ExCo and then the Board. The Financial Statements and Corporate Governance would be considered by AuditCo prior to approval by the Board.

- 19.3 The Board discussed the number of ancillary reports published in addition to the full annual report and the advantages and disadvantages of having them as standalone reports. It was noted that the Diversity report was required under statute and would remain standalone. The Board decided that this year the ancillary reports could remain separate if necessary but that there should be as little duplication between reports as possible and clear links from the main Annual Report and Accounts to each ancillary report.

19.4 It was also suggested that consideration should be given to having a completely on-line report in support of sustainability and readership preferences, with the exception of any hard copies required for statutory purposes. Treasury would need to be informed of this proposal.

19.5 It was noted that the Annual Public Meeting would be held in September 2018.

19.6 The Board **agreed** the proposed approach in terms of:

- Structure for the 2017/18 Strategic Report but reserving the right to change the structure once they had reviewed a draft
- Governance for producing the 2017/18 Annual Report and Accounts (AR&A)

20 Rules & Guidance to be determined

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

21 Decisions of the Board

21.1 The Board **approved** the following:

- That the FCA contract for Application Maintenance services with Sopra Steria Group (SSG) (Contract 1) for an initial term of three years with two separate options to extend for 12 months;
- That the FCA contract for Application Maintenance services with SSG (Contract 2) for an initial term of three years with two separate options to extend for 12 months;
- the resolution for the registered change of address for the FCA to 12 Endeavour Square (12ES), with delegated authority to the Chief Operating Officer to determine the appropriate date (a formal note to be sent to FCA Board under written procedure when the date is confirmed).

22 Minutes of Executive Committee meetings.

22.1 The Board noted the minutes of the Executive Committee meetings held on 24, 28 November and 6, 8 December 2017.

23 Minutes of Executive Regulatory Policy Committee (ERPC) meetings.

23.1 The Board noted the minutes of the ERPC meetings held on 2, 3, 4, 8, 11, 15, 25 January 2018.

24 Forward Agenda

24.1 The Board noted the forward agenda.

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	Director, International
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Georgina Philippou	Chief Operating Officer
Mark Steward	Director, Enforcement and Market Oversight

Also attending for the following items:

5	Jenny Barrow William Hague	Manager, Corporate Responsibility Director, Human Resources
6	Charlotte Freed Toby Hall	Manager, Supervision – Retail & Authorisations Manager, Supervision – Investment, Wholesale & Specialist Division
7	Andrew Cotterell Sara Williams	Manager, Law, Policy & International Technical Specialist, Law, Policy & International
9	David Godfrey Alex Roy	Director of Finance Manager, Strategy
12	David Godfrey Alex Roy Kyle Snookes Stephen Humphreys Vera Markos	Director of Finance Manager, Strategy Manager, Management Accounting Head of Department, Corporate Communications Manager, Prioritisation and Planning
13	David Godfrey Louise Buckley	Director of Finance Head of Department, PSR Communications & Operations

14	David Geale	Director of Policy
	Pritheeva Rasaratnam	Head of Department, Pension Policy
15	Andrew Whyte	Director of Communications
	Abigail Seal	Manager, Stakeholder Strategy
	Cordelia Hay	BritainThinks
16	Andrew Whyte	Director of Communications
	Jenny Scott	Former Executive Director of Communications at the Bank of England
	Russell Grossman	Director of Communications, Office of Rail and Road
17	Andrew Whyte	Director of Communications
	Sarah Rapson	Director, Authorisations, Supervision – Retail & Authorisations
	Maggie Craig	Head of Department, Supervision – Retail & Authorisations
18	Barbara Frohn	Director, Risk and Compliance Oversight
	Paul Dyer	Head of Department, Operational Risk & Risk Review
	Jeanette Bateman	Manager, Review 1, Risk and Compliance Oversight
19	Alex Roy	Manager, Strategy
	Alex Nicoll	Manager, Financial Accounting/P2P
	Stephen Humphreys	Head of Department, Corporate Communications,

ANNEX B: Resolution

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

Financial Services Compensation Scheme (Transitional Levy Provisions) Instrument 2018 (FCA 2018/4)

Supervision Manual (Financial Crime Report) (Amendment) Instrument 2018 (FCA 2018/5)

Decision Procedure and Penalties Manual (Amendment) Instrument 2018 (FCA 2018/6)

Consumer Credit (Earlier Intervention and Persistent Debt) Instrument 2018 (FCA 2018/7)

Advising on Investments (Article 53(1) of the Regulated Activities Order) (Perimeter Guidance) Instrument 2018 (FCA 2018/8)