

## Minutes

Meeting:	FCA Board	
Date of Meeting:	27 and 28 July 2016	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Andrew Bailey	Sarah Hogg
	Catherine Bradley	Ruth Kelly
	Amelia Fletcher	Jane Platt
	Bradley Fried	Sam Woods
	John Griffith-Jones (Chair)	Christopher Woolard
In attendance:	Set out in Annex A	

### Quorum and Conflicts

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

## 1 Specific items of business

### 1.1 House View - General Insurance & Protection

The Board discussed the House View, which represented the collective FCA view of the sector, and noted the following points:

- the sector was categorised into three broad sub-sectors – Retail, Commercial and Wholesale
- The sector was the FCA's second largest in terms of firms and held a significant presence on the watchlist
- the House View included the scope of the sector and how external environmental factors were shaping its development, and the lens assessment framework which identified the drivers of risk in the sector
- Technology was the key driver of change in the sector and the increased ability to harness personal information and Big Data raised important questions about how business models were changing and would continue to do so
- Risk themes, as well as cross cutting themes, for retail, commercial and wholesale sub sectors had been identified

- the FCA had a legitimate interest in the integrity of the market and promoting sufficient competition, although it was noted that it was part of a wider competition agenda
- Claims Management Companies (CMCs), although not currently regulated by the FCA, had been featured in the House View as a driver of risk of claims inflation in the motor insurance and in some other insurance markets. The Board requested further update on proposals to regulate CMCs

The Board noted that the house view development process would conclude in September and would form part of business prioritisation. Consideration would be given to the Board review process of refreshed house views and whether they should be published.

The Board noted the report but did not feel it was yet in a position to agree to the recommendations.

## **2 Minutes and meetings**

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

The Board approved the minutes of the FCA Board meetings held on 22, 23, 24, 30 June and 8 July 2016.

### **2.2 Oral update on the PSR Board meeting**

Mr Griffith-Jones provided an oral update on the matters discussed at the meeting on 13 July 2016 updating on the Payment Strategy Forum Consultation and the Infrastructure Market Review.

### **2.3 Matters arising**

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

### **2.4 Monthly reports from the Independent Panels**

The Board discussed and noted the following points:

- The Practitioner Panel's view that in the longer term the FCA should prioritise maintaining the UK industry's leading role in financial services. The Board also noted the Panel's discussion on the FCA's cyber resilience strategy and FCA systems and technology with industry experts and suggested the Audit Committee should receive a similar briefing
- The Smaller Business Practitioner Panel's views expressed in relation to the implementation deadline for General Insurance renewals and that the Panel welcomed the FCA's work to extend its cyber resilience work to non-core firms
- The engagement the Financial Services Consumer Panel has had with the team working on the credit card market study. The Board also noted the Panel's feedback on Investment Advice and overdraft research

## **3 Report from the Chief Executive**

The Board received an update from Mr Bailey and discussed and noted the following points:

- The Treasury Select Committee had published its review of the report into the failure of HBOS

- The plan to engage with the Board in September on the FCA Mission, with a view to publication in October for public consultation
- As of the first week of July, a number of property funds had either suspended fund redemptions or imposed special redemption measures. Conversations were taking place with affected funds to achieve orderly and managed reopening
- The Board noted that the executive had agreed to consult on a new proposed methodology for the consultation of redress in enhanced value transfer cases. The Board noted the risks associated and stressed the method currently being used to calculate Enhanced Transfer Value (ETV) redress cases was now thought unlikely to achieve its objectives
- The Regulatory Sandbox, which allowed firms to test propositions on consumers with various safeguards, had received 61 applications by the time the deadline passed. The programme had intended to take five firms through the sandbox, but were rapidly examining whether there was capacity to take more

#### **4 Post EU referendum approach**

Nick Miller and David Geale presented an update on post-EU Referendum Planning and a high level overview of the FCA's proposed approach. The Board noted the following:

- The FCA has established a new EU & Global Department to coordinate the organisation's planning work. The Department would be responsible for ensuring that planning work was undertaken in a consistent and coherent manner across the organisation. It would also coordinate the FCA's engagement with the Government, the Bank of England, firms and other stakeholders.
- Implementation of legislative files, including MiFID 2 will continue
- consideration should be given to the FCA bolstering its international engagement activity with a view to influence global standards more intensively

#### **5 Specific items of business (cont'd)**

Listing Authority Advisory Panel Annual Report

The Chair of the Listing Authority Panel, Annemarie Durbin, presented her annual report to the Board.

The Board welcomed the report and noted the main areas of focus and activity of the Panel for the past year. The Board noted that the Panel welcomed the open and transparent relationship that the Panel has with the FCA and looked forward to continuing a constructive relationship with the FCA under the leadership of its new CEO.

#### **6 Report from the PRA**

The Board received an oral update from Mr Woods on various matters including commercial real estate and life insurers.

#### **7 Specific items of business (con't)**

##### **7.1 Performance Report**

The Board received the report and noted and discussed the following points:

- Supervision had made good progress against pillar 1 risks

- Sector strategies were feeding into business plan prioritisation
- The expected and actual case loads of the Enforcement division
- Budget forecast was in line with the ORA budget. Actual expenditure at the end of May was £1.6m under forecast
- HR focus was shifting from overall turnover rate, which had stabilised, to the increasing proportion of leavers with less than two years' service
- Pillar I actions assigned to risks were on track and no new firms had been added to the watchlist during the period. The overdue actions were down compared to the last report
- There had been an improvement in the number of service standards that had been breached, however, going forward there were 18 peer-to-peer lending applications that had not been determined within the statutory deadline. More were expected in the coming months as assessments are conducted
- 441 whistleblowing disclosure cases had been received, which was consistent with last year
- Progress was being made with embedding the INTACT system in Market Monitoring
- Response times to MP letters had significantly increased during April and May. A review of handling MP letters was underway
- Sourcing Programme remained Red with focus on recovery plan actions, including embedding improved governance, clarifying cost/benefit position and addressing known scope and resource gaps for completion by July
- Evidence Management System 2 remained Red whilst finalising the contract detail with the supplier, however, good progress was being made to move to Amber
- The explanation for the incorrectly published external auditor fees in the 2015/16 Annual Accounts and measures put in place to prevent a future error
- The proposal to implement a revised performance reporting framework to develop a robust and consistent way to report the organisation's performance and provide the Board with clear visibility as to how the organisation was performing operationally as well as against its statutory objectives

## 7.2 IT update

The Board received an update on the recent IT issues and noted the action taken to rectify the problems and to determine the cause.

The Board also requested a lessons learned exercise on the recent disruptions be conducted for consideration by the Audit Committee.

## 7.3 Markets in Financial Instruments Directive II Implementation - Consultation Paper II

The Board discussed the second Consultation Paper and noted the following points:

- MiFID II had implications for a range of firms not directly subject to its rules, such as branches of non-EEA firms, 'Article 3 firms' and firms doing non-MiFID investment business, posing a challenge in implementation

- To support rule changes FSMA required cost-benefit analyses (CBA) to be provided. The Consultation Paper would offer high-level qualitative analysis for obligations which the FCA had little discretion over but to conduct fuller work on issues on which discretion was exercised
- The requirement to monitor the interpretations of the EU Directive when it comes in place in 2017

The Board approved the publication of the second consultation paper on MiFID II implementation on 29 July 2016.

#### 7.4 Governance

##### a) Update on actions from the Board Effectiveness Review

The Board noted progress against actions from the 2015 Board Effectiveness Review, noting that most recommendations were now either implemented or established as business as usual. The Board also noted that an internal evaluation, via survey, would shortly be conducted.

##### b) Review of the actions arising from the HBOS Report recommendations

The Board noted that all actions in relation to the HBOS Report recommendations had been completed by the FCA. The Board also noted that the Treasury Select Committee had published its review of the report into the failure of HBOS.

#### 7.5 Discussion of the FCA's proposed guidance on the duty of responsibility

Mr Steward informed the Board that with effect from May 2016 the duty of responsibility came into force, applying to approved individuals within relevant authorised persons, who perform a Senior Management Function specified by either the FCA or PRA. Under the duty of responsibility, the FCA and the PRA can take action against Senior Managers if they were responsible for the management of any activities in their firm in relation to which their firm contravenes a relevant requirement.

The Board noted that a consultation paper and draft Handbook guidance would be issued to provide some clarity to industry on how the FCA would enforce the duty of responsibility. The guidance would set out the circumstances in which the FCA would apply the duty and would include a non-exhaustive list of considerations when determining whether a Senior Manager was responsible for the management of the relevant activity.

The Board noted there would be separate guidance for non-executive directors.

The Board approved the guidance and requested that the FCA seek to align the proposed guidance with that of the PRA.

#### 7.6 Regulatory failure reporting

The Board considered the approach that should be taken in response to the calls for investigation of the FSA/FCA's supervision work.

The meeting reconvened on Thursday 28 July 2016

## 8 Specific items of business

#### 8.1 Payment Protection Insurance - Feedback statement on CP15/39 and further consultation on proposed package of measures as amended

The Board considered the update on the PPI proposals.

## 8.2 New Authorisations Risk Appetite Framework

The Board noted that as Authorisation and Credit Authorisation Divisions transition to a single Authorisation Division, a new Authorisations Risk Appetite framework was being proposed which aimed to deliver a consistent approach to risk appetite across the new division that is explainable, usable, and robust.

The proposed framework would incorporate the House View sectors, have a more robust review cycle and governance framework and would include a formal introduction of a new risk channel for the lowest risk transactions across the single division.

The Board:

- approved the new Authorisations Risk Appetite approach and framework, subject to its continued alignment to the evolving work on the FCA regulatory risk framework undertaken by Risk & Compliance Oversight
- agreed the use of the framework as the basis for other Authorisations processes
- agreed and approved the proposed 'review cycle' and governance arrangements to ensure the individual frameworks are appropriately refreshed and maintained
- delegated authority for future change control in line with review cycle outputs to Supervision – Retail and Authorisations Risk Committee, in consultation with Risk and Compliance and Oversight

## 9 Decisions reserved to the Board

### 9.1 Rules & Guidance to be determined

The Board passed the resolutions set out in Annex B.

### 9.2 Decisions of the Board

The Board agreed:

- the re-appointment of Iraj Amiri and John Callender for a further three-year term as members of the Regulatory Decisions Committee (RDC)
- the appointment of Malcolm Nicholson, Robin Mason and Philip Marsden as members of the RDC for an initial three-year term
- the extension of Linda Main's appointment to the Listing Authority Advisory Panel for a further 18 months to 30 April 2018
  - to note the decision taken outside of the Board meeting on 29 June 2016 to make the Enforcement (Market Abuse Regulation) Instrument 2016

## 10 Papers for noting

10.1 The Board noted the minutes of the Executive Committee meetings held on 23 May 2016, 7, 10, 13, 14, 15, 16, 17, 20, 21, 22, 23, 24, 26, 27, 28, 29 and 30 June and 1 July

10.2 Forward agenda

The Board noted the forward agenda.

**11 Any other business**

There was none.

Alana Christopher  
Assistant Company Secretary

## **ANNEX A: Attendees**

Megan Butler	Director, Supervision, Investment, Wholesale & Specialists
Alana Christopher	Assistant Company Secretary
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Jeanette Bateman	Manager, Risk & Compliance Oversight – Review 1 (for item 7.6)
Gordon Chapple	Manager, Operations-Chief Operating Officer Office (for item 7.3)
Kate Coulson	Head of Department, Risk & Compliance Oversight Directors Office (for item 7.6)
Jonathan Davidson	Director, Supervision - Retail & Authorisations (for items 1.1 and 9.2)
Nausicaa Delfas	Head of Department, Specialist Supervision Division (for item 8.1)
Annemarie Durbin	Chair, UK Listing Authority Advisory Panel (for item 5.1)
Simone Ferreira	Head of Department, Event Supervision (for item 8.1)
David Geale	Director, Policy (for items 4 and 7.2)
David Godfrey	Director, Finance (for item 7.1)
Stephen Hanks	Manager, MiFiD Coordination (for item 7.2)
Nicholas Holloway	Manager, GCD Investment, Insurance and Redress (for item 8.1)
Deborah Jones	Director, Competition (for item 1.1)
Heather Kempton	Manager, Practitioner Panels Secretariat Team (for item 5.1)
David Lawton	Director, Markets Policy & International (for item 7.2)
Gareth Lewis	Director, Business & Technology Solutions (for item 7.1)
Nick Miller	Head of Department, International (for item 4)
Richard Monks	Head of Department, Strategy Development (for item 7.1)
Lina Mortimer	Manager, Consumer Credit (for item 8.1)
Georgina Philippou	Chief Operating Officer (for items 7.1 and 7.3)
Christopher Preston	Manager, Event Supervision - Complex Events 2 (for item 8.1)
Mark Steward	Director, Enforcement Market Oversight (for item 7.5)
Emma Stranack	Head of Department, Business & Consumer Communications (for item 8.1)
Alison Walters	Manager, General Insurance Sector (for item 1.1)

Relevant associates and technical specialists also attended the meeting.



## **ANNEX B: Resolution**

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

Handbook Administration (No 42) Instrument 2016 (FCA 2016/48)

Insurance (Information Disclosure for Renewals) Instrument 2016 (FCA 2016/50)

Mortgage Credit Directive (Amendment No 3) Instrument 2016 (FCA 2016/51)

Payment Accounts Instrument 2016 (FCA 2016/52)

Supervision Manual (Financial Crime Report) Instrument 2016 (FCA 2016/53)

Collective Investment Schemes (Reporting Requirements) Instrument 2016 (FCA 2016/54)

Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules (Miscellaneous Amendments) Instrument 2016 (FCA 2016/55)

Enforcement (European Long-Term Investment Funds Regulations 2015) Instrument 2016 (FCA 2016/56)