

Minutes

Meeting: FCA Board

Date of Meeting: 25 and 26 July 2018

Venue: 12 Endeavour Square, London, E20 1JN

Present: Charles Randell (Chair)
Andrew Bailey Ruth Kelly
Catherine Bradley Christopher Woolard
Amelia Fletcher Jane Platt
Sam Woods (until item 18)
Sarah Hogg
Nick Stace (until item 14)

In attendance: Set out in Annex A

Apologies: Sam Woods (25 July)
Jane Platt (26 July)

1 Quorum and declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 None of the Board members 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 the 27 and 28 June 2018, subject to amendment.

3 Matters arising

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

4 Draft Minutes

- 4.1 The Board noted the draft minutes of the External Risk and Strategy Committee meeting held on the 6th July.

5 Updates

- 5.1 The Chair briefed the Board on matters considered at the Payment Systems Regulator Board meeting held on 12th July.

6 EU Withdrawal

- 6.1 The Board received an update on the FCA's preparations for the UK's withdrawal from the EU and briefings on the following issues:

6.1.1 Onshoring

- Key inoperables in legislation
- Handbook amendments and consultation

6.1.2 Temporary permission regime

- 6.2 The Board agreed that the sector's preparedness to respond to market events of an unplanned exit from the EU should be incorporated into the withdrawal programme.
- 6.3 The Board considered the programme of work on issues that could affect consumers and small businesses regarding the risks and threats arising from an unplanned exit from the EU.
- 6.4 The Board noted the draft legislative timetable and the potential risks associated with any delays to the Parliamentary process.
- 6.5 In respect of the September Consultation Paper the Board **approved**:
- 6.5.1 the provisional content of the Consultation Paper
- 6.5.2 to give the Accountable Executives (General Counsel and Director of Policy) flexibility to change content, or timing, if there are further delays in the publication of Statutory Instruments by the Government or further issues that arise during the governance process.

7 Accountability 2 Business Case Update and Drawdown Request

- 7.1 The Accountability 2 business case had been approved in 2017 for delivery of the extended Senior Managers' and Certification Regime (SMCR). The Board noted that since then the SMCR programme had delivered to time, quality and costs.
- 7.2 The requested drawdown would allow the programme to complete the Insurers Implementation phase, continue preparations for solo firms' implementation and progress plans for the Directory.
- 7.3 The Board recognised the progress made to date and the favourable outcome from the recent Internal Audit Review of the programme's governance.
- 7.4 The Board approved the drawdown of a further £5.2m for the Senior Managers' and Certification Regime Programme's work in the period July 2018 to the end of March 2019.

8 Report from the Chief Executive

- 8.1 The Board discussed Mr Bailey's report on developments since the last meeting, including:
- Payment Protection Insurance (PPI) – the Board's attention was drawn to recent press reports relating to the county court case, Doran.
 - Employee Engagement – The Board noted that the new principles in the revised UK Corporate Governance Code, in relation to workforce policies and workforce being able to raise any matters of concern, were being considered.
 - Social Mobility Employer – it was reported that the FCA ranked 37th in Social Mobility Employer Index 2018, which highlighted the top 50 employers taking the most action to improve social mobility in the workplace.
 - Graduate and Apprenticeship Schemes – the Board noted that the FCA had been ranked 74th in the Top 100 Graduate Programmes and third in the Top 50 Apprenticeship Programmes by Jobcrowd.com.

9 Monthly reports from the Independent Panels

- 9.1 The Board reviewed and discussed the reports from the Financial Services Consumer Panel, the FCA Practitioner Panel, the FCA Smaller Business Practitioner Panel, FCA Markets Practitioner Panel and Listing Authority Advisory Panel.
- 9.2 The Board **noted** in particular the common themes including Brexit, the Senior Managers Regime, High Cost Credit and Pensions.

10 RBS GRG – Decision on investigation

- 10.1 The Board received a presentation in relation to the FCA's investigation under s.167 FSMA in relation to RBS Senior Management knowledge of, and involvement in, the activities of GRG during the relevant period. The Board therefore noted the executive's decision to close the investigation.
- 10.2 The Board was informed that due to the significant public interest in this matter, the FCA had committed to publish a statement in relation to the further investigative steps taken. The intention was to make two public statements, a shorter version in July and a detailed statement in due course. The Board was invited to comment on drafting of the statement to be published in July.
- 10.3 The Board reviewed the drafting and, in light of the FCA's public interest objectives, preferred a lengthier draft and suggested changes relating to content and sequencing of the document.
- 10.4 The Board **supported** the intention to publish a public statement in July, with a fuller account in due course subject to any Maxwellisation process required.
- 10.5 The Board **agreed** that approval for the final form of words for the July statement would be delegated to the Chair on its behalf.

11 Assessing Creditworthiness in Consumer Credit

- 11.1 The Board noted that although findings suggest that some firms generally have adequate processes in place to assess creditworthiness, evidence suggested that firms may not understand the rules and may either be too lenient or go significantly beyond what was required when assessing affordability.
- 11.2 This could result in two kinds of harm: some customers may be given unaffordable credit, leading to financial distress, or credit may be restricted unnecessarily for others or be too costly.
- 11.3 The Board considered the proposed changes consulted on in CP17/27, the consultation responses and proposed instrument changes to address points raised during consultation.
- 11.4 The Board:
- **approved** the final rules as set out in the Consumer Credit (Creditworthiness) Instrument 2018.
 - **agreed** to publish the Policy Statement which includes the FCA's intention to consider developing non-Handbook guidance setting out examples of good and bad practice in assessing affordability.

12 Report from the PRA

- 12.1 Mr Woods presented a high-level overview of the key strategic issues for the PRA.

13 SME access to the Financial Ombudsman Service - consultation feedback and final policy proposal

- 13.1 The Board considered the proposal to extend the jurisdiction of the Financial Ombudsman Service (FOS) to cover larger SMEs, charities and trusts, and a new category of personal guarantors.
- 13.2 Caroline Wayman, FOS Chief Executive, discussed the considerations underway to equip the organisation to take on such a new remit. She informed the Board that she was confident that the organisation would be able to take on the new responsibilities.
- 13.3 The Board discussed that, to take the proposals forward, the FCA would need to be confident that the Ombudsman was able to address several recommendations made by the independent review on complex complaints and case work quality. In addition, the Board was keen to be satisfied that robust plans were in place to be assured that the Ombudsman was able to manage its extended jurisdiction adequately.
- 13.4 The Board **agreed in principle** to extend the jurisdiction of the Ombudsman to cover larger SMEs, charities and trusts, and a new category of personal guarantors, subject to receipt and confirmation of a suitable proposal for managing the new remit.
- 13.5 The Board also **agreed** to defer making final rules until it had received further details of the proposals by the FOS to address the recommendations made by the independent review and to prepare for the extension of the FOS jurisdiction.
- 13.6 In relation to the current binding award limit of £150,000, the Board agreed to review this at a future date.

14 Sector Views and Cross Sector Report

- 14.1 The Board was presented with proposals to develop Sector Views and associated products as well as the common themes identified from the 2018 Sector Views.
- 14.2 The Board was satisfied with the reports and identified themes for further consideration: climate change, inter-generational issues, the impact of what the FCA does across the sectors and the effectiveness of consumer interventions.
- 14.3 The Board:
- **agreed** the proposed approach to develop the Sector Views and associated products;
 - **noted** the categorisation of the themes in the Cross Sector Report and the summary of harm from the Sector Views

15 Emerging priorities for 2019/20 Corporate Prioritisation

- 15.1 The Board **noted** the criteria used for identifying cross-sector priorities, commented on and suggested priorities for the coming planning process.

16 Public Confidence Risk Report

- 16.1 The Board received the report which had been jointly produced by the Communications and Risk and Compliance Oversight teams and was identified through the FCA Risk Framework.
- 16.2 The Board noted that the report took a different approach to the assessment of public confidence risk than previous reports, recognising the complexity of the task. Rather than presenting a straightforward list of known issues and the associated mitigation, the report identified and mapped the issues and provided an analysis based on the diverse audiences the FCA needed to understand and engage with, including: consumers, firms, media and parliamentary.
- 16.3 The Board **noted** the report.

17 Big Data, Big Technology and the FCA

- 17.1 The Board briefly discussed the introductory paper on Big Data analytics and associated technologies, wider innovations and some of their implications for the FCA.
- 17.2 The Board **noted** the paper.

18 Rules and Guidance to be determined

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

19 Decisions of the Board

- 19.1 The Board **approved** the:

- current and projected spend for existing 3rd party service contracts for Catering Cleaning and Building Maintenance contracts to allow dual running of the Stratford and Canary Wharf offices and subsequent return to business as usual;
- reappointment of Tim Parkes as Chair of the Regulatory Decisions Committee (RDC) for a second three-year term from 1 January 2019 to 31 December 2021
- appointment of Kathryn McLeland and Mandy Gradden as members of the Listings Authority Advisory Panel for a three-year term from 1 August 2018 to 31 July 2021;
- reappointment of Suvro Dutta as a member of the Markets Practitioner Panel from 1 August 2018 to 31 July 2021;
- reappointment of Steve Lewis as a member of the Practitioner Panel from 1 August 2018 to 31 July 2021;
- extension of the appointment of Steve Cooper as a member of the Practitioner Panel from 1 August to 31 October 2018;
- reappointment of Gerald Grimes as a member of the Small Business Practitioner Panel from 1 August 2018 to 31 July 2021.
- re-appointment of Jennifer Genevieve and Dominic Lindley as members of the Consumer Panel for a second three-year term from 1 October 2018.

19.2 In respect of the ERPC's authority to issue guidance, the Board **agreed** to revoke the decision of the Board made at its meeting in December 2016, under which the Board resolved to delegate authority to the Executive Committee to issue general guidance (as defined in section 139B(5) and 333P(9) of the Financial Services and Markets Act 2000 (FSMA). The Board **agreed** to delegate authority to issue, amend and revoke general guidance to ERPC and for the Corporate Governance Document to be updated to reflect this change.

19.3 The Board noted that Chris Cummings' term as a member of the Regulatory Decisions Committee would come to an end on 29 July 2018 and the Chair was asked to thank him for his contribution to the committee.

ANNEX A: Attendees

Attending all, or substantially all, of the meeting:

Alana Christopher	Deputy Company Secretary
Megan Butler	Director, Supervision, Investment, Wholesale & Specialists (except items discussed on 25 July)
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Georgina Philippou	Chief Operating Officer
Nausicaa Delfas	Director, International
Sean Martin	General Counsel
Simon Pearce	Company Secretary

Attending for the following items:

6	Tim Rowe	Manager- Handbook Review Team
	Martin Boffey	Manager – GCD EU Coordination Team
	Lee Foulger	Head of Department - International
	Val Smith	Head of Department - Head of Retail Authorisations
	Joanna Legg	Technical Specialist – EU Planning & Coordination
	Stephane Amoyel	Manager – INT – International – EU Withdrawal Policy Team
7	Phillip Morgan	Manager – BTS – Programme & Project Management
10	Jonathan Davidson	Director - SRA
	Theresa Chambers	Director – EMO - RRI
	Laura Dawes	Head of Department - RRI
	Nicholas Hills	Manager – EMO - RRI
	Daniel Maine	Technical Specialist
	Andrew Whyte	Director of Communications
11	Graeme McLean	Head of Department - BLD
	Jean Cooper	Manager – Policy Consumer Credit
13	Richard Fox	Head of Department – Cross- Sectoral & Funds Policy
	Mark Threipland	Head of Department – GCD Investment

		Insurance and Redress
	Caroline Wayman	Financial Ombudsman Service
	Annette Lovell	Financial Ombudsman Service
14	Genevieve Marjoribanks	Head of Department – Analysis & Insight
	Gareth Thomas	Manager – House View Sector Team 1
	Karron Baker	Manager – Analysis & Insight
	Jon Pearson	Manager – House View Sector Team 2
15	Richard Monks	Head of Department – Strategy
	Caroline Fletcher	Manager – Specialist Analysts
16	Peter Liddiard	Manager – RCO – Operational Risk & Risk Review
	Andrew Whyte	Director of Communications
17	Laura Royle	Manager, Innovate Policy
	Anna Wallace	Head of Department, Innovate

ANNEX B: Resolution

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

- Consumer Credit (Creditworthiness) Instrument 2018
- Insurance Distribution Directive (Amendment) Instrument 2018
- Enforcement (Social Entrepreneurship Funds, Venture Capital Funds and Money Market Funds) Instrument 2018
- Enforcement (Financial Services Act 2012 (Mutual Societies) Order 2018) Instrument 2018
- Banking (Information about Current Account Services) (Amendment) Instrument 2018
- Listing Rules and Disclosure Guidance and Transparency Rules (Miscellaneous Amendments) Instrument 2018

The Board of the Financial Conduct Authority hereby approves the making by the board of the Financial Ombudsman Service Ltd of that part of the following instrument that falls within the responsibility of that organisation:

- Benchmarks Regulation Amendment (Financial Ombudsman Service) Instrument 2018