Minutes

Meeting:	FCA Board
Date of Meeting:	27th and 28th June 2018
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS

Present:	Charles Randell (Chair)	
	Andrew Bailey	Ruth Kelly (until item 13)
	Catherine Bradley	Christopher Woolard
	Amelia Fletcher	Jane Platt
	Bradley Fried	Sarah Hogg (until item 20)
In attendance:	Set out in Annex A	
Apologies:	Andrew Bailey	(for 27th June only)
	Nick Stace	(for 27th June only)
	Sam Woods	

1 Quorum and Conflicts

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 23rd and 24th May 2018 subject to an agreed 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:

- Oversight Committee attended by the Financial Ombudsman Service (FOS) meeting held on the 2nd May 2018
- Oversight Committee attended by the Money Advice Service (MAS) meeting held on the 2nd May 2018

- Payments System Regulator (PSR) Board meeting held on the 9th May 2018
- Audit Committee meeting held on the 30th May 2018.

5 Updates

5.1 The Chair of the PSR Board gave an update from the meeting held on 27 June 2018.

6 FCA Annual Report and Accounts 2017/2018

6.1 The Board received an update on actions taken since the annual report and accounts were reviewed at the May Board and a further draft being issued to board members for comment in June.

6.2 In reviewing the final draft of the 2017/18 annual report and accounts, the Board noted the following:

- Bonus adjustments had been made to agree the accrual at the 31 March 2018 to the actuals paid in April 2018.
- The drafting teams were incorporating additional comments received from the NAO in relation to the Directors Report, Corporate Governance Statement and the Financial Overview.
- A revised timetable, including the date of signing and laying of the reports before Parliament, had been produced.

6.3 The Board welcomed the revised report, noted the changes made since the last meeting and made further suggestions to various sections of the report.

6.4 The Board viewed, and was content, with the digital version. In Autumn 2018, the digital team would evaluate the Annual Report to understand how users engaged with the content and the impact of introducing a digital version.

6.5 In respect of the Diversity Report, the Chairman was keen for the report to articulate the importance of cognitive diversity in regulation.

6.6 The Board **agreed** the Annual Report and Accounts, in principle, and delegated authority to the Chief Executive and Chairman to approve, subject to review of final changes to the Accounts by the Audit Committee.

6.7 The Board **approved** the Diversity Report.

7 PSR Annual Report and Accounts 2018

7.1 The Board **received** the PSR Annual Report and Accounts, which had been approved by the PSR Board.

8 Enterprise Act Annual Report 2017/2018

8.1 The Board was presented with the Enterprise Act Annual Report 2017/2018 which required the FCA to report on several measures including:

- a list of Qualifying Regulatory Provisions (QRPs) that came into effect or ceased to have effect during the reporting period;

- the impact assessments verified by the independent Regulatory Policy Committee (RPC) for those QRPs;

- a summary of non-qualifying regulatory provisions which came into effect or ceased to have effect during the reporting period**.**

8.2 The costs and benefits of regulatory provisions under the Enterprise Act methodology were noted. The Board discussed the methodology used to calculate costs and benefits under the Enterprise Act, noting it had differed significantly from the methodology used for cost benefit analysis under FSMA. It was agreed that figures published therefore needed careful context and explanation.

8.3 The Board noted the timescales for publication of the report were challenging, because of delays in confirming changes to the methodology that should be used. The Board was content with the report and **delegated approval** of the final report to the Director of Strategy & Competition and the Chief Executive.

9 Senior Managers & Certification Regime (SM&CR): Finalising our rules

9.1 The Board was presented with the near final rules for the SM&CR, including changes made following consultation feedback and changes to the cost benefit analysis.

9.2 The Board was alerted to the fact that around 6,900 firms had been incorrectly assigned between the limited scope and core tiers for the purpose of the CBA.

9.3 Following consideration of the matter, including the associated risks and advice received from General Counsel, the Board was content to proceed to publish near final rules on the basis that the error, its effects and the FCA's conclusion would be clearly outlined in a restated final CBA published alongside the Policy Statements.

9.4 The Board **agreed** to publication of near-final rules on the SM&CR for:

- all insurers, and

- all FCA regulated firms authorised under FSMA (solo-regulated firms),

with final rules to be made by written procedure at a later date once the relevant statutory instrument has been made by Treasury.

10 Monthly reports from the Independent Panels

10.1 The Board reviewed and discussed the reports from the Financial Services Consumer Panel (FSCP), the FCA Practitioner Panel, (PP), FCA Markets Practitioner Panel (MPP) and the FCA Smaller Businesses Practitioner Panel (SBPP), including:

- The MPP's concerns about the risk of significant harm to retail investors and the market's reputation due to the highly speculative and volatile nature of cryptoassets and Initial Coin Offerings (ICOs).

- The PP's view of the FCA's resilience priority, particularly in the light of issues that some firms had recently experienced. The PP stressed the need for the FCA to encourage contingency planning as well as mitigation of risks.

- The work being done by the PP, SBPP and FSCP in discussing the need for a duty of care and working jointly with the FCA to find effective ways of addressing this issue.

10.2 The Board **noted** the monthly reports from the panels.

11 Report from the Chief Executive

11.1 The Board discussed Mr Bailey's report on developments since the last meeting, including:

- Stratford – the first two moves to the new building had been completed. The moves themselves had gone well but there were a number of technical and facilities related issues being worked on.

- Women in Finance - the FCA had been jointly awarded Employer of the Year in recognition of its proactive work in cultivating an inclusive and diverse workforce and aiming to achieve equal gender representation at all levels.

- Human Resources – noting the number of graduate intake at the FCA the Board requested a report on the people strategy at the FCA.

12 Senior Managers and Certification Regime (SM&CR): making information on firms and individuals public after commencement

12.1 The Board was presented with an update on the components of the programme of work related to delivery of the Directory ahead of public consultation.

12.2 In considering the paper, the Board noted the following:

- the FS Register would continue following the extension of the SM&CR but would contain fewer individuals. The proposed new public directory of certified staff would contain key individuals who, after implementation of the SM&CR, will no longer appear on the FS Register.

- a single new user interface was being developed which would enable users to search information from the existing FS Register and the newly reported information the FCA proposes to collect from firms.

- Since the suitability of the additional individuals to be included on the Directory was assessed by firms rather than the FCA, it was important that this distinction was made clear for users. To manage the risk of misunderstanding, clear language and signposting would be provided. Information on the additional individuals would be continually kept up to date rather than being a point in time approval from the relevant regulator.

- By making public information on a wider range of individuals, the FCA would have responsibilities for the accuracy of these data under the General Data Protection Regulation (GDPR).

12.3 The Board **noted** the report and the steps taken to ensure compliance with relevant legislation. The Board cautioned that the new arrangements should not create excessive administrative burdens to firms but recognised there were benefits to both firms and consumers of establishing the Directory.

13 Final Approach to Consumers Including Feedback Statement

13.1 The Board discussed the Future Approach to Consumers Consultation paper, noting the consultation responses raised clear themes in relation to clarity about the proposed definition of a vulnerable consumer, duty of care, clarity about the FCA's expectations, the future work programmes and what difference the proposed approach would make.

13.2 In considering the paper, the Board discussed the definition of vulnerability, as defined in the paper and the identification of vulnerable consumers. The Board also considered the outcomes for consumers, the FCA's tools and powers and how they are used to protect consumers from harm, and potential implications for competition.

13.3 The Board supported the paper and was content with its tone, but suggested that the messaging goes further in articulating the outcomes the FCA wanted for consumers and how consumers would be protected from harm.

13.4 The Board **approved** the publication of the Approach to Consumers including Feedback Statement.

14 Duty of Care Discussion Paper

14.1 The Board discussed the Discussion Paper which provided a high-level overview of the framework within which the FCA operates and how it regulates in practice and illustrated the context in which any proposed Duty of Care would apply.

14.2 Following consideration, the Board was content with the tone of the paper and that it would generate an open and constructive discussion.

14.3 The Board **approved** the publication of the Discussion Paper.

15 Enterprise Wide Risk Management Report 2018

15.1 The Board was presented with the Enterprise Wide Risk Management (EWRM) Report and Risk and Compliance Oversight's analysis of the key cross-cutting organisational risks faced by the FCA using a wide range of internal and external sources. It presented a holistic view of the FCA's top enterprise wide risks across the three lines of defence, an assessment of the organisation's management and mitigation of these risks. The Board noted that the external risks identified in the report would be considered in the business planning process and progress on internal risks would be addressed through the Risk and Control Self-Assessment process.

15.2 In considering the top cross cutting enterprise risks and how the shifts in drivers had impacted on the current net risk position and existing mitigation activities, the Board queried, and was reassured by the executive, that the organisation had sufficient resources to ensure adequacy of the mitigation activities.

15.3 The Board **noted** the report.

16 Independent Panels Annual Reports

16.1 The representatives of the Independent Panels were welcomed to the meeting and the Board acknowledged the work of each of the panels over the past year, the positive contributions to the work of the FCA, and noted the areas of focus in the coming year. The Board discussed the various issues raised by each panel representative and areas of common themes, including Brexit, consumer engagement and the balance between different regulatory tools.

16.2 The Board was pleased to hear the panels' positive reflections of interaction with the FCA which had been beneficial to all parties.

16.3 The Board thanked the members of all the panels for their continued commitment and hard work over the year.

17 Joint FCA and Practitioner Panel Survey

17.1 The Board was presented with the second joint survey between the FCA and the Practitioner Panel, which offered regulated firms the opportunity to feed back their views of the FCA's performance. The Board noted the following:

- Overall the survey showed that the majority of firms were satisfied with the regulatory relationship and believed that the FCA was an effective regulator. Satisfaction had increased slightly year on year as had the effectiveness score.
- As in previous years, fixed firms tend to be less positive about the effectiveness of the FCA. However, fixed firms reported an improved average rating for satisfaction with their relationship with the FCA.
- The majority of firms said that they had read the Mission document. Awareness of and engagement with the Mission was higher among fixed firms than flexible firms.
- Trust in FCA supervisors had improved, with firms citing improvement in the consistency of the supervisory approach

17.2 The Board noted that the survey results highlighted that firms were not homogenous and broader and diverse communications tools were required. Because of this diversity, it was suggested that consideration should be given to conducting separate surveys for fixed and flexible firms in the future.

17.3 The Board **noted** the report and importance of the survey and the improvement in this year's results.

18 Complaints Commissioner's annual report

18.1 The Board welcomed the Complaints Commissioner and thanked him for his report on the handling of complaints by the financial services regulators (including the FCA) during the 2017/18 financial year.

18.2 The Commissioner acknowledged that in comparison with last year, when serious criticisms had been made of the delays which had developed in the FCA's handling of complaints, the position had greatly improved and the backlog had been cleared, although individual instances of delays remained.

18.3 The Commissioner noted while most complaints were handled well, there continued to be a tendency in some high-profile cases to revert to defensive behaviour.

18.4 The Board **noted** the report.

19 FCA response to Complaints Commissioner's annual report

19.1 The Board noted the work within the Complaints team to improve the handling of complaints generally. The Board acknowledged that work was required to further improve the handling of complaints, which should be acknowledged in the response.

19.2 The Board reflected on the earlier discussion with the Commissioner.

19.3 Subject to incorporation of comments by the Board, the Board **approved** the FCA response to the Complaints Commissioner's annual report.

20 Cloud industrialisation business case

20.1 In receiving the paper, the Board was provided further background on the FCA's cloud activities and the approach to implementation of the strategy. The project was reviewed in October 2017 and a new approach (including procuring expert third party support) was put in place. This led to a re-baselining that identified additional implementation costs. The Board noted that Audit Committee had considered this matter in May and raised a series of queries and asked for substantial additional information, which had been addressed.

20.2 The Board noted that the full business case was predicated on not replacing the existing physical datacentre capability but instead moving all services to the cloud, unless there was an exceptional reason not to. All cloud services chosen as part of the project would be fully supported by the cloud services suppliers.

20.3 The approach to implementing the strategy was structured into two parts, which would have independent business cases. The first part aimed at industrialising the FCA's cloud capability to upgrade current cloud datacentre capability with the necessary operating model, support services and partnerships to meet the FCA's needs. The second part of implementing the strategy will be the plan to move all remaining services out of the physical datacentre before 2022.

20.4 The FCA Board **approved** the cloud industrialisation business case.

20.5 The Board asked that the programme continue to capture learnings from earlier challenges faced.

21 Investment Platforms Market Study

21.1 The Board noted the report.

22 Decisions of the Board

22.1 The Board **approved** the following reappointments to the Regulatory Decision Committee (RDC):

- Caroline Ramsay, Kevin Brown and Elizabeth France, as Deputy Chair, for a further three-year term as members of the RDC until 29 July 2021.

22.2 The Board **approved** the following reappointments to the Competition Decision Committee (CDC):

- Stuart McIntosh as member of the CDC until 31 December 2018 and Malcolm Nicholson and Robin Mason until 29 July 2021.

22.3 The Board **approved** the re-appointment of Consumer Panel member Jeff Salway for a further 12 months from 1 September 2018 to 31 August 2019.

22.4 The Board also **approved** the following:

- the award of the contract for recruitment outsource services to Resource Solutions
- the revised cross-authorities Payments MoU between the Authorities (BoE, FCA, PRA and PSR)

23 Rules and Guidance to be determined

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

24 Minutes of Executive Committee (ExCo) meetings

24.1 The Board **noted** the minutes of ExCo meetings held on 23rd and 24th April 2018.

25 Minutes of the Executive Regulatory Policy Committee (ERPC) meetings

25.1 The Board **noted** the Minutes of the ERPC meetings held on 23rd and 30th April 2018.

26 Forward Agenda

26.1 The Board **noted** the forward agenda.

27 Any Other Business

27.1 The Board formally thanked Bradley Fried for his contribution during his time as a member of the Board and wished him the best for the future.

Charles Randell
Chairman

ANNEX A: Attendees

Attending all, or substantially all, of the meeting:

Alana Christopher	Deputy Company Secretary
Megan Butler	Director, Supervision, Investment, Wholesale & Specialists
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Sarah Day	Assistant Company Secretary
Nausicaa Delfas	Director, International
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Georgina Philippou	Chief Operating Officer#
Mark Steward	Director, Enforcement & Market Oversight

Attending for the following items:

6	David Godfrey	Director, Finance
	Stephen Humphreys	Head of Corporate Communications
	Alex Nicoll	Manager, Financial Accounting
	James Shafe	Technical Specialist, Reporting Measurement
8	James Shafe	Technical Specialist, Reporting Measurement
12	David Geale	Director, Policy Directors Office
	David Blunt	Head of Department, Conduct Supervision
	Alexander Smith	Manager, Governance and Professionalism
	Graeme Reynolds	Head of Department, Economics
13	Nisha Arora	Director, MIDA
	Attricia Archer	Manager, Consumer Insight
	Cara Bloomfield	Manager, Consumer Strategy
14	Nisha Arora	Director, MIDA
	Attricia Archer	Manager, Consumer Insight
	Cara Bloomfield	Manager, Consumer Strategy
15	Jose Morago	Head of Department, RCO
16	Tim Waddell	Listing Authority Advisory Panel
	Heather Kempton	Manager, Corporate Services, Panels Secretariat
	Sue Lewis	Financial Services Consumer Panel
	Sharon Chapman	Manager, Corporate Services, Panels Secretariat
	David Bellamy	Practitioner Panel

	Richard Haas	Smaller Business Practitioner Panel
	John Trundle	Markets Practitioner Panel
17	David Bellamy	Practitioner Panel
	Catherine Grant	Kantar
	Heather Kempton	Manager, Corporate Services Secretariat Team
	Sam Sullivan	Kantar
	Andrew Whyte	Director, Communication
18	Antony Townsend	Complaints Commissioner
19	Dean Harwood	Manager, Corporate Services, Complaints Team
20	Martin Bellamy	Director, BTS Director's Office
	Susan Bebbington	Manager, BTS Director's Office

Relevant associates were also in addendance.

ANNEX B: Resolution

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

Benchmarks Regulation (Amendment) Instrument 2018

Fees(Single Financial Guidance Body Levy) Instrument 2018

Periodic Fees (2018/19) and Other Fees Instrument 2018

Fees (Miscellaneous Amendments) (No11) Instrument 2018

Handbook Administration (No 49) Instrument 2018

FCA Recognised Industry Codes (DEPP and EG) Instrument 2018

Payment Services Instrument 2018

Capital Requirement Directive IV and Bank Recovery and Resolution Directive Instrument 2018

Fees (Payments Systems Regulator) Instrument (No 7) 2018

Money Markets Funds Regulation Instrument 2018