

Minutes

Meeting: FCA Board

Date of Meeting: 21 October 2021

Venue: Meeting held via Microsoft Teams

Present: Charles Randell (Chair)
Bernadette Conroy
Liam Coleman
Jeannette Lichner
Richard Lloyd
Alice Maynard
Nikhil Rathi
Tommaso Valletti
Sam Woods (left at 4pm)

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.
- 1.2 No interests were declared in the items to be discussed.

2 Report from the Chief Executive

- 2.1 Mr Rathi briefed the Board on a number of topical issues, including:
 - i. Career and Grading: The Board was briefed on some of the thematic feedback from the ongoing consultation on career and grading, particularly the proposals around the discretionary bonus, the mapping and benchmarking exercise, death in service benefits and proposed changes to the Manager's allowance. The Board discussed with the executives their experiences of smaller group and 1-2-1 discussions with colleagues and received assurances on active engagement and noted that the Executive welcomed constructive feedback on the consultation. The Board was also briefed on the online public petition by the union, Unite, seeking support for recognition for collective bargaining with the FCA further to the union's earlier request for voluntary recognition. The Board expressed its continued full support for the consultation process on career and grading and looked forward to continued regular updates.
 - ii. NatWest Plc: The Board was briefed on the successful outcome of the NatWest Plc case brought under the Money Laundering Regulations (MLRs) and noted that sentencing was
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pending. The case was a landmark achievement as it was the first criminal action taken under the MLRs. The Board commended the Executive Director of Enforcement and the team handling the case for their contributions to the success of the case.

- iii. Future Regulatory Framework: The Board was informed that the Treasury's consultation on the Future of Regulatory Framework (FRF) was due to be published in November.
- iv. FCA's Operational resilience and performance: The Board discussed with some of the Executive Directors the key risks they are currently facing in their respective divisions and the measures put in place to manage and mitigate those risks.

3 Monthly Reports from the Independent Panels

- 3.1 The Board reviewed the reports from the Chairs of the Consumer Panel, the Practitioner Panel, the Markets Practitioner Panel and the Smaller Business Practitioner Panel and discussed some of the issues raised in the reports including:
 - i. The research on Equity Release.
 - ii. Crypto-assets and Consumer risks.
 - iii. New Consumer Duty.

4 Report from the PRA

- 4.1 Mr Woods briefed the Board on the business of the PRA that was of relevance to the FCA.

5 Session with the Chair of the Practitioner Panel

- 5.1 The Board expressed its appreciation for the support received from the panels, especially the level of engagement since the onset of the COVID-19 pandemic.
- 5.2 The Chair of the Practitioner Panel commended the FCA's executive on the work being done on the consumer investment strategy and its continued engagement to seek the panel's input and commended the FCA's transition to become more outcome based. The Chair of the Practitioner Panel recommended that the Board considers its end objectives in the consumer investment space and how these may impact consumers, including scrutinising the costs and benefits of changes in regulation.
- 5.3 The Board further invited views on the FCA's work on diversity and inclusion. The Deputy Chair of the Practitioner Panel noted that the Panel was supportive and the FCA was pushing at an open door on these issues. The Panel would have comments on the detail of some of the proposals.

6 Data Strategy Refresh 2021

- 6.1 The Board was briefed on the proposed updates to the Data Strategy being developed to reflect the changes at the FCA and align it with the delivery of its Business Plan objectives.
- 6.2 The Board discussed some of the proposed data and technological changes needed as a key enabler for the delivery of all strategies across the FCA and the approach to sequencing the embedding of these changes. The Board sought assurances that clear communication and adequate testing were planned to support these organisational changes.
- 6.3 The Board discussed the communications strategy for engaging with wider stakeholders on transitioning to new systems and processes.

Decision	The Board approved the proposed updates to the Data Strategy.
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7 Delivery of the Consumer Investment Strategy – High Risk Investments (including Crypto) Financial Promotions

- 7.1 The Board was briefed on the proposed changes to the financial promotions regime for high-risk investments under the Consumer Investments Strategy. The Board was asked for its views on the following proposals:
- i. Strengthening the regime for S.21 FSMA gateway - approvers
 - ii. Strengthening the consumer journey for high-risk investments
- 7.2 The Board discussed some of the findings from the consumer behavioural testing on consumers' risk awareness and the proposals to mitigate harm to the most vulnerable consumer groups. The Board sought assurances on the operationalisation of these proposals and gave its steer on the risk of excluding a consumer group or pushing the promotion of investments outside the FCA's perimeter.
- 7.3 The Board discussed the limitations faced by the FCA in gathering data about the size and impact of the market for high-risk investments and the costs and benefits of a change in approach, given the current exemptions from the Financial Promotions Order and the current financial promotions framework.

Decision	The Board was supportive of the overarching approach to aspects of the consumer investment strategy and gave its steer on the operationalisation of some of the proposals.
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8 Pre-paid funeral plans regulation – second policy statement and project update

- 8.1 The Board was briefed on some of the feedback to the second consultation on regulating pre-paid funeral plans and the proposed operational and communications strategy to implement the policy.
- 8.2 The Board discussed the wider progress of the project including proactively engaging with the industry and ongoing developments at the gateway and the steps being taken to mitigate the risk of harm from firms who fail to obtain authorisation.
- 8.3 In response to the inquiry about proposed FSCS rules, the Board received assurances on the proposed arrangements to share information and the required disclosure obligations on firms.

Decision	The Board was supportive of the general approach to the second policy statement and gave its steer on aspects of the proposals.
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9 A new authorised fund regime for investing in long term assets

- 9.1 The Board was briefed on some of the feedback received from the consultation on the authorisation of a new category of fund, Long-Term Assets Fund (LTAF) and the proposed policy statement and final rules, and supervisory strategy to support implementation.
- 9.2 The Board discussed the risk profile of investors exposed to long-term assets and the possibility of permitting limited retail access as part of the second phase of developing the LTAF. The Board received assurances on stakeholder engagement and the proposed measures to effectively deal with the liquidity mismatch risks that had crystallised in some other fund structures.

Decision	The Board approved the publication of the policy statement and the communications strategy on future consultation on the rules permitting a wider range of retail investors to access Long Term Assets Funds (LTAF).
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10 Rules and Guidance and Technical Standards

- 10.1 The Board resolved to approve in principle the making of the Compensation (London Capital & Finance Compensation Scheme) Instrument 2021 (FCA 2021/XX) and agreed that it be made at a future date.

- 10.2 The Board resolved to approve in principle the making of the Funeral Plans (No. 3) Instrument 202X (FCA 2021/XX) and agreed that it be made at a future date.
- 10.3 The Board resolved to make the following instruments:
- i. Investment Firms Prudential Regime Instrument 2021 (FCA 2021/38)
 - ii. Investment Firms Prudential Regime (Consequential Amendments to Other Prudential Sourcebooks) Instrument 2021 (FCA 2021/39)
 - iii. Supervision Manual (Reporting No 16) Instrument 2021 (FCA 2021/40)
 - iv. Long-Term Asset Fund Instrument 2021 (FCA 2021/41)
 - v. Funeral Plans (No. 2) Instrument 2021 (FCA 2021/42)

11 Decisions of the Board

- 11.1 The Board agreed to approve the minutes of the meeting of the Board that took place on 30 September 2021 by written procedure.
- 11.2 The Board noted the following decisions taken by written procedure since the last meeting:
- i. on 14 October 2021, the Board approved the minutes of the FCA Board meeting held on 03 September 2021
- 11.3 The Board reviewed the Action Log and called for a different approach on certain aspects of the process for approving changes in actions or target dates.
- 11.4 The Board approved the proposed changes to the FSCS Articles of Association, subject to the amendments discussed.
- 11.5 The Board approved the publication of the Board Evaluation Report on the FCA's website.
- 11.6 The Board approved the constitution of a London Capital & Finance Complaints (LCF) Board Sub-Committee and agreed that membership will comprise of Liam Coleman (chair), Bernadette Conroy and Richard Lloyd.

12 Reports from the Chairs of Board Committees

- 12.1 The Board received written reports from the Board Risk Committee dated 16 September 2021.

13 AOB

- 13.1 There being no further business the meeting closed.

Annex A

Attending for all, or substantially all of the meeting:

Andrea Bowe	Director, Chief of Staff
Megan Butler	Executive Director, Transformation
Stephanie Cohen	Chief Operating Officer
Toby Hall	Private Secretary, Chief Executive Office
Sheree Howard	Executive Director, Risk and Compliance Oversight
Sheldon Mills	Executive Director, Consumers and Competition
Simon Pearce	Director, Company Secretary
Sarah Pritchard	Executive Director, Markets
Ian Runacres	Manager, Chairman's Office
Jessica Rusu	Chief Data Information and Intelligence Officer
David Scott	Executive Director, Interim General Counsel
Mark Steward	Executive Director, Enforcement and Market Oversight

Attending for the following items:

5	Session with the Chair of the practitioner Panel	Paul Feeney – Chair, Practitioner Panel Penny James – Deputy, Practitioner Panel
6	Data Strategy Refresh 2021	Ian Phoenix – Director Ian Alderton – Director
7	Delivering the Consumer Investment Strategy – High Risk Investments (including Crypto) Financial Promotions	Lucy Castledine – Head of Department David Raw - Director Matthew Smith – Technical Specialist
8	Pre-paid funeral plans regulation – second policy statement and project update	Richard Sutcliffe – Head of Department Matt Brewis – Director Jo Legg - Manager
9	A new authorised fund regime for investing in long term assets	Nike Trost – Head of Department Mhairi Jackson - Manager Michael Collins – Technical Specialist

*Relevant associates and professional business support staff were also in attendance.