

Minutes

Meeting: FCA Board

Date of Meeting: 29 September 2022

Start time: 09:00

Venue: Board room and Microsoft Teams

Members Present:

Richard Lloyd (Chair)	Alice Maynard
Liam Coleman	Nikhil Rathi
Bernadette Conroy	Tommaso Valletti
Jeannette Lichner	Sam Woods

In attendance: Set out in Annex A

Presenters: Set out in Annex A

Apologies: None

1 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. It was noted that Jeannette Lichner was appointed to the Board of the Information Commissioner's Office – the Board agreed the appointment did not raise any additional conflicts to her role on the FCA Board.

2 Reports from the Chairs of Board Committees

- 2.1 The Board noted the report from the Chairs of the Joint Audit and Risk Committees meetings held on 20 July and 22 September 2022. The Committees had discussed the three-year work programme including what had been achieved to date and assessing resources needed for the year ahead.
- 2.2 The Board noted the report from the Chair of the People Committee meetings held on 23 August and 8 September 2022. The Committee had approved the ESG Advisory Committee terms of reference.
- 2.3 The Board noted the verbal report from the Chair of the Audit Committee held on 22 September 2022. The Committee had reviewed internal audit's recent report, had discussed

the developing approach to whistleblowing activity and had received an update on the FCA's complaints handling. It was noted that the Chairs of the Audit and Risk Committees were meeting with the Complaints Commissioner the following week.

3 Report from the Chief Executive

- 3.1 The Board noted the report from the CEO and were briefed on a number of topical issues, including:
- a) **Impact of the current economic environment** – The Board were briefed on the work of the FCA to monitor and risk assess the impact of the current market conditions (including on first-time buyers and shared ownership properties), including ongoing work on the cost of living crisis, mortgage rates, consumer protection and wholesale markets. The Board were assured that the FCA was focusing on broader and longer-term issues as well as the immediate impact of the economic environment.
 - b) **People and recruitment** – It was noted that onboarding for new joiners was underway at pace and the FCA was on track to have filled a significant number of vacancies by the end of the year. The Board discussed the attrition rate and encouraged the FCA to continue supporting opportunities for career progression to retain the appropriate balance now being seen between internal and external hires, noting the ambition for headcount growth this year and expansion in Leeds and Edinburgh through new recruitment. The Board welcomed an update on the response to the FCA's hybrid working principles and noted the importance of including operational diversity in the FCA's risk view as priorities evolve.
 - c) **External engagement** – The CEO and other members of the executive team were continuing media engagement on a number of issues including authorisations and the cost of living crisis, as well as increased parliamentary engagement to develop understanding for the range of work the FCA is doing and to provide technical input into consideration of the Financial Services and Markets Bill.
 - d) **Operational updates** – The Board discussed analysis from the Supervision Hub report and noted the continued work being done on scams through Scam Smart and close working within the regulatory family. The Board discussed the financial update, noting the current level of financial reserves and expected upcoming spend. It was agreed that this should be monitored by the Audit and Risk Committees to ensure projects have operational durability across the two-year plan.

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 including the recent Bank of England announcements on gilt market operations and Solvency II.

5 Analysis, Research and Evaluation: Macroeconomic scenarios

- 5.1 The Board were presented with the refreshed scenario analysis to support decisions about the FCA's Strategy and Business Plan. The Board noted the levels of uncertainty surrounding interest rates, inflation, and unemployment over the next 2-3 years. The four new scenarios offered challenging outlooks to enable the FCA to be as resilient as possible to all outcomes, with some elements already starting to emerge.
- 5.2 It was clear that moving forward with the FRF (Future Regulatory Framework) review would have a significant impact on industry and the FCA would need to re-prioritise work and commitments in order to deliver these outcomes. The Board discussed the impact on staff and the emphasised the importance of linking any re-prioritisation work to the FCA's values and existing statutory objectives. The FCA was committed to delivery of its statutory objectives and maintaining confidence in financial services as these plans progressed. The Board noted the importance of clear communication on the impact of any changes to planned projects. The Board recommended that debt and vulnerability should be considered explicitly within the medium-term trend measures.
- 5.3 Close work with public commitment leads to develop an approach that featured both short term (18 months) and longer term (3-5 year) insights had been conducted. The team advised that the analysis was being kept up to date, alongside monthly re-fresh and flash updates. The Board welcomed broader engagement across the FCA which allowed colleagues to keep up with the latest economic trends and to factor these into local plans. It was also noted that stress testing with the large banks was due to be completed which could provide useful insights. The team agreed that linking the results of the tests into their work would be useful.
- 5.4 The Board agreed with the initial analysis and key strategic messages but noted revisions would be very probable as events continued to develop at pace. The Board were keen to maintain regular assurance on planning for the remainder of this year and 23/34, including a decision-point on the emerging framework in December. The Board agreed the key strategic messages as well as the next steps for the work.

6 Approach to strategic and financial planning 2023-24

- 6.1 The Board were presented with the proposed three phased approach to strategic and financial planning for 2023/24, setting out the key principles for the end-to-end process. The team advised that the communication and engagement work had been successfully embedded into the approach this year, with strategy and finance connected from the outset and increased local feedback taken onboard.
- 6.2 The Board highlighted the importance of recognising the impacts of reprioritisation work on staff and ensuring the FCA had a resilient workforce, with support available to assist with both internal and external pressures. In addition, it encouraged engaging managers early so they are well sighted on changes and can actively support staff. The Board were assured that work was being conducted in collaboration with the risk team to ensure all risks and consequences arising from the strategic decisions were understood.
- 6.3 The Board acknowledged that the 3-year strategy remained strong, but adjustments would be required to meet the demands of the fast-changing external environment. The Board also agreed that the strategy continued to provide a sound basis to allow the FCA to be

increasingly agile as an organisation. Further engagement was welcomed on critical deep dives, risk-based prioritisation and the strategic and financial planning programme to ensure the Board, Risk Committee and Policy and Rules Committees had sufficient time to consider the strategy, particularly within the context of the fast-changing economic environment.

6.4 The Board supported the programme proposals and timelines for engagement.

7 Rules and Guidance and Technical Standards to be determined

7.1 The Board **resolved** to make the following instruments:

- a) Decision Procedure and Penalties Manual (amendment) Instrument 2022
- b) Handbook Administration (No 61) Instrument 2022
- c) Investment Firms Prudential Regime (Amendment) (No. 2) Instrument 2022

8 Decisions of the Board

8.1 The Board noted the action log and **approved** the closure of completed actions.

- a) The Board noted the following decisions taken by written procedure:
 - i. To **approve** the final rules for the Financial Promotions and High-Risk Investments (2022) Instrument
 - ii. To **agree** to reappoint Tim Parkes as Chair of the RDC for an additional one-year term, from 1 January 2023 to 31 December 2023
 - iii. To **approve** the minutes of the Board meeting on 15 July 2022
 - iv. To **approve** the following Panel appointments:
 - Appoint Paul Denton as a member of the FCA Smaller Business Practitioner Panel from 22 August 2022 to 31 August 2025
 - Appoint Barbara-Ann King as a member of the FCA Practitioner Panel from 1 November 2022 to 31 October 2025
 - v. **Extend** the terms of individual members of the Decision-Making Committees.
 - vi. The Board received the FCA report on multi-occupancy building insurance.
- b) The Board noted the update to the actions taken in response to the Governance Working Group and welcomed the progress made to date.

- c) The Board **approved** the increase to contract spend limits for Cognizant and Workday.
- d) The Board **approved** the reappointments of individual members as follows:
 - i. The reappointments of Jonathan Hewitt, Julia Munday and Erik Porter to the Consumer Panel.
 - ii. The reappointment of Lee Streets as a member of the FCA Smaller Business Practitioner Panel.
- e) The Board discussed the Themis Search and Discovery funding request. The Board **approved** the additional funds for delivery of the foundation scope of the S&D project, and the request for contingency funding.

9 Papers for noting

The Board noted the following papers:

- a) Independent Panel Reports to the Board
- b) Financial Advisers & Intermediaries portfolio strategy
- c) Consumer Investments Strategy on year update
- d) Compensation Framework Review: Proposed next steps following Discussion Paper
- e) SPC Forward Looking Policy Instrument Report

There being no further business the meeting closed.

Annex A: Attendees, presenters and observers

In attendance:

Sheree Howard – Executive Director, Risk and Compliance Oversight
 Sheldon Mills – Executive Director, Consumers and Competition
 Sarah Pritchard – Executive Director, Markets
 Jessica Rusu – Executive Director, Chief Data, Information and Intelligence Officer
 Emily Shepperd – Executive Director, Authorisations
 Mark Steward – Executive Director, Enforcement and Market Oversight
 Andrea Bowe – Director, Chief of Staff
 Miles Bake – Director, Company Secretary
 Steven Braviner Roman – Executive Director, General Counsel
 Graham McLean – Head of Department, Chief Executive Office
 Ian Runacres – Manager, Chairman’s Office

Presenters and observers:

Item 1 - Declarations of interest	No attendees
Item 2 - Reports from the Chairs of Board committees	No attendees
Item 3 – Report from the Chief Executive	No attendees
Item 4 - Report from the PRA	No attendees
Item 5 – (ARE): Macroeconomic scenarios	Kate Collyer – Director Peter Smith – Technical Specialist Eric Morrison – Technical Specialist
Item 6 – Approach to strategic and financial planning 2023-24	Kate Collyer – Director Craig Chapman - Director Jane Cowland – Head of Department Sarah Kelly – Technical Specialist
Item 7 - Rules and Guidance and Technical Standards to be determined	No attendees
Item 8 – Decisions of the Board	No attendees
Item 9 - Papers for noting	No attendees