

Minutes

Meeting: FCA Board
Date of Meeting: 17 and 18 January 2018
Venue: 25 The North Colonnade, Canary Wharf, London E14 5HS

Present: John Griffith-Jones (Chair) Ruth Kelly
Andrew Bailey Nick Stace
Catherine Bradley
Amelia Fletcher
Bradley Fried
Sarah Hogg

In attendance: Set out in Annex A

Apologies: Jane Platt (17 January)
Sam Woods (17 January)
Christopher Woolard (17 January)

1 Quorum and Declaration of Interests

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 None of the directors 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 6 and 7 December 2017.

3 Matters arising

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

4 Draft Committee Minutes

- 4.1 The Board **noted** the following draft minutes:
- Meeting of the Audit Committee held on 15 November 2017.
 - Meetings of the Oversight Committee held on 21 & 23 November 2017
 - Meeting of the Payment Systems Regulator held on 22 November 2017

- Meeting of the External Risk and Strategy Committee (ERSC) held on 5 December 2017

5 UK Exit from the EU

- 5.1 The Board noted that a joint statement had been issued on 20 December 2017 by the FCA, PRA and Treasury, welcoming progress between the UK and the EU on agreeing a transitional arrangement. It was hoped that the positive and unified approach would be encouraging to firms at what was an uncertain time.
- 5.2 An update on the plans for on-shoring of EU law into UK law, with the aim of providing a functioning regulatory framework immediately post exit from the EU, was received by the Board. It was noted that in addition to advising the Treasury on existing EU legislation and consequential amendments to domestic legislation, there would be a complete review of Handbook. The timelines for doing so, including the associated consultation processes agreed by ExCo, remained indicative and were predicated on elements of the process outside the FCA's direct control. The FCA would work to ensure that disruption was minimised for firms, investors and consumers.
- 5.3 The Board discussed the volume of handbook changes that would be required between 1 September 2018 and 29 March 2019 in the event the UK were to leave the EU in March 2019 without a transitional period and the challenge of making 'business as usual' handbook changes in parallel.
- 5.4 The risks to the organisation in connection with Brexit, including the Treasury timescales and potential for an increased workload during the transition period were noted, together with planned mitigating actions. It was also acknowledged that the FCA would take on some new responsibilities as a result of the transfer of functions from EU bodies.
- 5.5 The Board:
- **agreed** to limit simultaneous changes to the Handbook with EU withdrawal related adjustments
 - **noted** the pipeline of currently projected Handbook changes this may impact
 - **noted** the consultation approach as agreed at ExCo

6 Report from the Chief Executive

- 6.1 The Board discussed Mr Bailey's report on developments since the last meeting including:
- MIFID II – the launch on 3 January had seen no major disruption to firms or trading. Monitoring continued internally and externally to guard against possible post-implementation issues. The Market Data Processor (MDP) functionality was in operation with a number of low level incidents which are being monitored and dialogue with third party suppliers continued. The Board asked to be advised if issues arose with the IT.
 - PSD2 – went live on 13 January, bringing about the regulation of firms providing payment initiation (PIS) and account information (AIS) services. A small number of firms were authorised on the day. Some firms which were subject to Open Banking were not expected to be fully prepared to provide Application Programming Interface (API) access in January and had been issued with directions by the Competition and Markets Authority (CMA) in December. The Open Banking Implementation Entity (OBIE) had announced a staged rollout throughout 2018 of the use of its secure API standards.

Approximately 2m consumers are subscribing to screen-scraping services where a banking customer shares personal security credentials with AIS providers, despite the reservations of banks around cyber security risks. UK Finance has drafted

guidelines to mitigate the risks associated with screen-scraping. The Board suggested there should be a dedicated page on the FCA website for those authorised as AISs and PISs.

- British Steel – All relevant firms had been written to summarising the work which has been undertaken and some requesting relevant data. It was pointed out that where the same issues were arising in other advisory firms there needed to be consistency in the approach to managing the issues.
- Business and Technology Solutions: The Big Upgrade – the project to roll out new computer equipment ahead of the move to the FCA's new building in Stratford. Discussions continued with the new suppliers
- FCA Values – it had been agreed to replace the current cultural characteristics with FCA Values. Engagement with staff was taking place to understand what behaviours they currently value at the FCA, and what needs to be done differently in the future. The Board acknowledged the importance of its leadership role in implementing and 'living' the new values and it was agreed that the draft values would be brought to the Board for consideration in due course.

6.2 The Board **noted** the Chief Executive's report.

7 Report from the Prudential Regulatory Authority (PRA)

7.1 Mr Woods presented a summary of the key issues on the PRA agenda of relevance to the FCA.

8 Monthly Report from the Independent Panels

8.1 The Board reviewed and discussed the reports from the Financial Services Consumer Panel, the FCA Practitioner Panel, the FCA Smaller Business Practitioner Panel and FCA Markets Practitioner Panel.

8.2 The MPP, SBPP, PP and FSCP reports all raised the issue of EU withdrawal. The Board noted the MPP's concerns regarding the significant threat of cyber attacks on the market as a whole and of individual firms. There was some discussion about how the FCA could facilitate engagement of firms largely outside its regulatory perimeter on this issue. It was agreed that a note should be written to the MPP chair about the FCA's role.

8.3 The Board **noted** the monthly reports from the Independent Panels.

9 Insurance Distribution Directive (IDD) implementation – feedback from the third consultation paper, CP17/33

9.1 The Board received a paper on the third and final consultation to implement the Insurance Distribution Directive (IDD), summarising feedback received on previous consultations. The paper also made proposals for near final rules to be published, as the Treasury was yet to lay the corresponding regulations. The final rules would be approved either by written procedure or at the February 2018 Board meeting.

9.2 It was noted that the European Commission had proposed delaying the application date to 1 October 2018, although transposition would still need to be completed by 23 February 2018. The proposal remained subject to the confirmation of the European Council and Parliament.

9.3 A small number of firms have signalled that they were prepared to implement the directive on the original date and would incur costs if there was a delay. Consequently there was a

proposal to allow firms to elect to commence with some or all IDD requirements earlier than legally required (blanket transition period).

9.4 Following discussion the Board **agreed** :

- The proposed approach to making rules and guidance, including the proposals for inducements, conflicts of interest, product governance and mandatory occupational pension arrangements.
- to adopt a blanket transition period for firms that wish to comply early with the IDD.
- the near-final rules for publication in the January 2018 Policy Statement.

10 Office for Professional Body AML Supervision

10.1 It was noted that the regulations formally creating the Office for Professional Body Anti Money Laundering Supervision (OPBAS) came into force on 17 January 2018. OPBAS would officially begin its role on 1 February 2018 and will enable consistent standards to be set for the adequacy of anti-money laundering supervision undertaken by twenty-two professional bodies.

10.2 The Board was advised that the team would sit within the Financial Crime Department of the FCA and was now largely in place. Meetings had been held with all professional body' supervisors to aid better understanding of their respective sectors. There had also been significant liaison with the Treasury.

10.3 OPBAS would have powers to censure anti-money laundering supervisors but cannot issue fines or penalties.

10.4 It was noted that a final sourcebook of guidance would be published for professional body supervisors on 22 January 2018. The sourcebook would be a principle-based document setting out high level expectations with regards to internal governance, information sharing and supervision.

10.5 It was anticipated that the first year of operation would mainly entail fact finding and assessment with OPBAS visits to each of the 22 supervisors planned by the end of 2018. The Executive Committee (ExCo) would be kept updated as appropriate and the Board asked that a report on progress be made to ERSC.

10.6 The Board queried how the success of OPBAS would be measured and noted that this would ultimately be determined by the Treasury, however the aim was to better supervise the bodies which fell within the regime and to deal promptly with issues when they arose.

11 Cash Savings Remedies

11.1 The Board was reminded that the 2015 cash savings market study identified some harms for which a number of remedies aimed at improving how customers can open, manage and switch their accounts, had been implemented. These harms were not fully addressed by the remedies implemented, additional remedies are therefore being proposed to address the outstanding harm. The Board noted that the proposals follow the testing of remedies to improve switching which did not succeed.

11.1 It was proposed to publish a discussion paper and occasional paper to collect further information before consulting on final proposals. The Board noted that the proposals may be positive from a consumer perspective.

12 Assessing what works well – measuring the impact of our interventions

- 12.1 The Board received a paper setting out the FCA's overall evaluation landscape. It was noted that it was central to the Mission, particularly in respect of providing value for money. The FCA decision-making framework had 4 steps: identifying harm, diagnosis, selection of remedies, and evaluation of the decision. In turn, the reporting framework focused on operational efficiency, measuring the impact of interventions and monitoring the outcomes in markets.
- 12.2 The proposed framework builds on previous work on evaluation and would be the subject of a discussion paper, which sought to demonstrate best practice. The Board noted that there were three pilots of impact evaluations currently in progress.
- 12.3 The importance of analysing outcomes of both discretionary and mandatory actions was noted. There was also the need for a process for handling unintended consequences and re-examining/re-opening issues where necessary. The discussion paper would need to be balanced and recognise that there would be instances when it was not possible to explicitly show benefit and equally that there would be positive elements of interventions even when they had not worked as anticipated overall.
- 12.4 The Board **noted**
- The evaluation landscape and
 - ExCo's decision to publish a Discussion Paper to update stakeholders on the FCA's approach to impact evaluation.

13 Complaints Commission's Interim Report

- 13.1 The Board welcomed Antony Townsend, Complaints Commissioner, to the meeting to present his interim report.
- 13.2 Mr Townsend highlighted the good progress made in clearing the historic backlog of cases, with only a small number of live cases currently. The complaints scheme was in the process of being simplified, which would provide further benefit.
- 13.3 There were areas for development identified within the report including responses to high profile cases, which the Commissioner proposed to discuss with senior management. There was also the need to ensure a degree of independence in complaints handling and promote empathy over defensiveness.
- 13.4 The Board **noted** the report and that the draft end of year report would be presented later in the year prior to being laid before Parliament in July 2018. The Board indicated that it would welcome more comparison with similar organisations in future where possible.

14 Payment Systems Regulator (PSR) Annual Plan 2018/19

- 14.1 The draft PSR annual plan for 2018/19 was presented ahead of consideration of the plan and draft budget by the PSR Board on 24 January and subsequent approval by the FCA Board.
- 14.2 The Managing Director of the PSR advised that the organisation had met its objectives in the current year, opening up access to payment systems and preparing for implementation of the new payment architecture. It had continued to 'horizon scan' for market changes adapting and exploring wider issues as they arose.
- 14.3 The emphasis had been on providing value for money and remaining a small and agile organisation, but this had led to significant staff stretch and the need for reprioritisation of

work. The increased resource would be spread evenly across the PSR and reflects what is required to deliver the plan. It was noted that if the existing headcount was maintained current and additional planned work would need to be re-prioritised with the expectation that some of the activities could not be undertaken.

14.4 The Board **noted** the approach to the PSR's Annual Plan 2018/19.

15 High Cost Credit Review

15.1 The Board was advised that it was planned to issue a public update on the high-cost credit review at the end of January 2018 and was reminded of the milestones from January 2015 to date.

15.2 It was explained that there were several strands of work in this space and that some had not been delivered in the way originally set out e.g. the work on overdrafts, which had been subsumed into wider work on retail banking.

15.3 The update would seek to ensure that the FCA continued to contribute to the public debate on the issues by setting out the range of work streams on which it is working.

15.4 In discussion it was noted that there were often a lack of alternatives for consumers of high cost credit. The Board noted that there were broader issues which were not within the FCA's remit and that this was an opportunity to frame the discussion to highlight issues for which other stakeholders have ultimate responsibility. The need to work with others including the government towards a more cohesive approach was stressed and it was recognised that there was a role for the organisation in facilitating the market to work better for this group of consumers.

15.5 The Board was taken through the direction of travel and the work planned to draw together the various strands. The risk of inadvertently causing harm to consumers by restricting some of the products currently available was noted.

15.6 The Board **noted** the update.

16 Rules & Guidance to be determined

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

17 Decisions of the Board

17.1 The Board **approved**:

- An amendment to the Financial Policy such that authorisation to hold FCA funds in excess of £15m on the current account for longer than five working days requires approval from a Finance Head of Department or above.
- the appointment of Tim Waddell as the new Chair of the FCA Listing Authority Advisory Panel (LAAP) from 1 April 2018 to 31 July 2020.
- the re-appointment of Mark Austin as a member of LAAP and the appointment of him as the new Deputy Chair of LAAP from 1 April 2018 to 31 July 2020.
- The re-appointment of Ursula Newton as a member of LAAP from 1 April 2018 to 31 March 2021.

17.2 The Board considered the draft response to accompany the publication of the report of the 2017 FCA Board effectiveness review and authorised the Chair to finalise the response after taking account of comments raised at the meeting.

17.3 The Board noted the following decisions that had been taken since the last Board meeting.

- Issuing of final guidance in the Decision Procedure and Penalties (DEPP) and Enforcement Guide (EG) relating to changes for implementation of the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation
- Appointment of Charles Randell as Chair of the PSR with effect from 1 April 2018

18 Minutes of Executive Committee meetings.

18.1 The Board noted the minutes of the Executive Committee meetings held on 7, 17 and 20 November 2017.

19 Forward Agenda

19.1 The Board noted the forward agenda.

20 Any Other Business

20.1 The Board held a discussion on Bitcoin and other crypto currencies in advance of a substantive report being brought to the April Board meeting.

20.2 Whilst the FCA did not currently regulate these commodities, the Board sought to understand any indirect responsibilities the FCA may hold in this area. The Board was advised of the immediate work being undertaken.

John Griffith-Jones
Chairman

ANNEX A: Attendees

Attending all, or substantially all, of the meeting:

Angela Attah	Deputy Company Secretary
Megan Butler	Director, Supervision, Investment, Wholesale & Specialists
Vickiesha Chabra	Manager, Chairman's Office
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Nausicaa Delfas	Chief Operating Officer (acting)
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Georgina Phillipou	Chief Operations Officer
Mark Steward	Director, Enforcement and Market Oversight

Also attending for the following items:

5	Lee Foulger	Head of Department, EU & Global
	Martin Boffey	Manager, EU Coordination, General Counsel
	Stephane Amoyel	Manager, EU Planning & Coordination, EU & Global
	Tim Rowe	Manager, Handbook Review Team, Strategy & Competition
	David Geale	Director, Policy
9	David Geale	Director, Policy
	Pritheeva Rasaratnam	Head of Department, Pension Policy, Strategy & Competition
	Marc Maxfield	Manager, Insurance(GI&Life), Strategy & Competition
	Jason Pope	Technical Specialist, Insurance(GI&Life), Strategy & Competition
10	Jody Ketteringham	Technical Specialist, Financial Crime, Risk & Policy, Supervision
	Alison Barker	Director, Specialist Supervision
	Rob Grupetta	Head of Department, Financial Crime, Supervision
	Sarah Wheeler	Manager, Financial Crime, Specialist Supervision
11	David Geale	Director, Policy
	Graeme McLean	Head of Department, Banking Lending & distribution, Strategy & Competition

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| 12 | Mary Starks | Director, Competition and Economics |
| | Graeme Reynolds | Head of Department, Economics, Strategy & Competition |
| | Fiammetta Gordon | Manager, Economics – Retail, Strategy & Competition |
| | James Shafe | Technical Specialist, Reporting and Performance Measurement, Strategy & Competition |
| 13 | Antony Townsend | Complaints Commissioner |
| 14 | Hannah Nixon | Managing Director, PSR |
| | David Godfrey | Director, Finance |
| | Louise Buckley | Head of Department, PSR Communications & Operations |
| | David Geale | Director, Policy |

ANNEX B: Resolution

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

Conduct of Business Sourcebook (Projections) (Amendment No 2) Instrument 2018 (FCA 2018/2)

Client Assets (Term Deposits) Instrument 2018 (FCA 2018/3)

The Board approves in principle the making of the following instrument and agrees that it should be made at a future date at a meeting of the Board or by way of written resolution

Insurance Distribution Directive Instrument 2018