

Minutes

Meeting:	FCA Board	
Date of Meeting:	2 and 3 November 2016	
Venue:	De Vere Venues, Devonport House, King William Walk, Greenwich, SE10 9JW	
Present:	Andrew Bailey	Sarah Hogg (items 1.2 to 6)
	Catherine Bradley	Jane Platt
	Amelia Fletcher	Sam Woods
	Bradley Fried	Christopher Woolard
	John Griffith-Jones (Chair)	
In attendance:	Set out in Annex A	
Apologies:	Ruth Kelly	

Quorum and Conflicts

The meeting noted there was a quorum present and proceeded to business.

1 Specific items of business

1.1 Wholesale House Views

The Board was presented with the completed house view on Equity and Debt, Derivatives, Foreign Exchange and Commodities wholesale financial markets.

The Board noted that the house view of Transaction Services and Wholesale Lending would be presented in March. The Board noted that this would be the last house view to come to the Board in a full format and that in future refreshed house views would be considered by the External Risk and Strategy Committee. Updates, highlighting notable changes across the regulatory landscape, would be submitted to the Board three times a year.

The Board noted the following points:

- the importance of wholesale markets to the effective functioning of retail financial markets
- the implementation of MiFID II would provide significantly more reporting and data across wholesale sectors

The Board noted the report.

1.2 Managing Public Money

The Board was updated on recent discussions with HM Treasury in relation to the Managing Public Money (MPM) regime. The Board noted that there was no obligation for the FCA to adopt the MPM regime.

The Board agreed with the executive position that it would not be appropriate for the FCA to adopt the MPM regime and appoint an Accounting Officer. The Board's view was that the Accounting Officer structure was designed for ensuring the accountability of ministers for the spending by government departments; and that this was not appropriate for the FCA, the governance of which is set out in statute with a clear expectation that the FCA's Board will challenge and scrutinise the Executive. The Board is in turn accountable to Treasury and to Parliament.

The Board requested Andrew Bailey approach HM Treasury to outline the view held by the Board.

1.3 Further discussion of the proposed PPI communications campaign

The Board was presented with further information on how risks associated with the proposed PPI communications campaign would be mitigated. These included stakeholder engagement plans, a contingency plan, proposed key performance indicators and adjustments to the proposed campaign messaging. The Board noted progress against mitigation of potential risks and noted in particular that the team would work with stakeholders representing vulnerable consumers or those with protected characteristics.

The Board discussed the level of engagement with firms in relation to their approach to addressing complaints. Progress made to date had been encouraging in relation to offering online complaint submission options and the adjustments required for vulnerable customers. Outstanding issues included how subject access requests would be handled and operational resilience.

The Board requested that the team continue to review the FCA's helpline and website capabilities in anticipation of significant response once the campaign was launched.

2 Minutes and meetings

2.1 The Board approved the minutes of the FCA Board meeting held on 21 and 22 September 2016.

2.2 The Board noted the draft minutes of Oversight Committee meeting held on 7 September 2016

2.3 The Board received an oral update on the matters discussed at the Remuneration Committee meeting held on 22 June 2016.

2.4 The Board noted the draft minutes of the Nominations Committee meeting held on 29 September 2016. Mr Griffith-Jones updated the Board on progress with the recruitment of a consumer-focused non-executive director. He also reported that the Treasury had agreed to extend his term as the Chair of the Payment Systems Regulator to coincide with his tenure as FCA Chair.

2.5 The Board noted the draft minutes of the MAS Oversight Committee meeting held on 5 October 2016.

2.6 The Board noted the draft minutes of the Audit Committee meeting held on 8 September 2016.

2.7 Monthly reports from the Independent Panels

The Board reviewed the reports and in particular the following points were discussed:

- The Listing Authority Advisory Panel's request to work closely with the FCA to enhance the attractiveness and effectiveness of the UK capital markets in a post Brexit environment
- The Practitioner and Smaller Business Practitioner Panels' concerns about how the FCA gathers and deals with external intelligence. The Board noted that there remained a process in place to gather risk from external sources and requested that the panels were reassured of this
- The Consumer Panel's concerns about the FCA's approach to Big Data.
- The Consumer Panel's request for input from the Executive and Board on topics for their 2017/18 work programme.

2.8 Matters arising

The Board noted progress in respect of the actions arising at previous meetings.

3 Report from the Chief Executive

Andrew Bailey provided an update to the Board, including:

- In light of the recent IT incidences, regular updates were being received from the Chief Executive of Fujitsu UK. Recovery of the systems to the primary Data Centre was successfully completed and a third-party review of recent incidences had been commissioned

4 Report from the PRA

The Board received an oral update from Mr Woods on various matters including the low interest rate environment, structural reform and operational resilience.

5 Quarterly Performance Report

The Board received the quarterly performance report, noting the new format that provided an overview of operational performance and contained full quarter one and two data to enable effective comparison. The Board requested that where the data existed, year on year comparison charts should be included in the report. In the ensuing discussion, the following points were noted:

- the number of firms on the Supervision -Retail and Authorisations watchlist had increased between Q1 and Q2 2016/17, primarily due to the addition of flexible firms. The highest volume of risk events originated from the Consumer Contact Centre
- In Wholesale Supervision, volumes of risk events cases increased during the summer, primarily due to prudential alerts being generated after the summer submission by firms into the Gabriel reporting system
- The Enhanced Transfer Values thematic review timelines had been extended due to consultation on changing the pension redress methodology with a plan to publish final guidance next spring
- Enforcement caseload had increased, with an increase in complex cases
- The report included a new metric to support the FCA's targets for gender and BAME representation at senior leadership level

- In light of recent IT incidents, on-going senior engagement with Fujitsu had resulted in improved service and a lessons learned exercise was being conducted. Future reports would include updates on the FCA's cyber resilience
- Reporting information on complaints was being refined and appropriate metrics for quality were being considered

6 Peer-to-peer lending and crowdfunding post-implementation review

The Board noted the initial findings from the review and discussed the risks identified.

The Board also agreed to publish a feedback statement outlining the FCA's approach to investigating and mitigating the risks identified.

The Board noted that Authorisations was working to analyse the identified risks, assess their impact on individual applications and the sector, and devise a strategic approach to determining compliance with threshold conditions and progressing remaining firms' applications.

7 Asset management market study interim report

The Board noted and discussed the interim findings of the asset management market study and the provisional remedies. Given some of the proposed remedies of the study involved recommendations to Government, early discussion with HM Treasury and other relevant bodies was required.

Noting the concerns identified in the report in relation to investment advisory services to institutional investors, the Board agreed to consult on making a Market Investigation Reference to the Competition and Markets Authority.

8 Review of the Connaught Income Series 1 Fund

The Board considered the proposals presented in the paper for the review of the FSA's involvement in the Connaught Income Series 1 Fund.

After considering the options, the Board agreed that the review should be conducted by an external third party appointed and overseen by the FCA Board. The FCA Chair agreed to establish a board committee to oversee the review and agree initial Terms of Reference.

The Board considered the operational support required for the review and also the potential impact this review, and other reviews underway, may have on staff.

The Board noted the proposed approach to communicating the review, internally and externally.

9 Financial Services Compensation Scheme (FSCS) funding review Consultation Paper

The Board considered the proposal to publish a consultation paper outlining changes to the funding arrangements and to the scope and level of protection that the FSCS provides.

The Board noted that the proposals included reforming funding by placing firms into wider groups, increasing FSCS protection to better cover today's pension arrangements and extending cover to debt management firms. A call for input was also proposed on some potential longer term changes to funding to drive change in the market for professional indemnity insurance (PII) and introduce FSCS levies reflecting risks posed by specific products and practices.

The Board discussed the proposals at length, including the allocation of the funding burden between different firms, mutualised insurance versus a PII-based approach, and the potential increase to £1m of the limit on consumer protection for investment products.

Following the discussion, the Board requested that further work was conducted in relation to these issues and the proposals submitted for further consideration in December.

10 Decisions reserved to the Board

10.1 Rules & Guidance to be determined

The Board passed the resolutions set out in Annex B.

10.2 Decisions of the Board

The Board approved the reappointment of:

- Baroness Maeve Sherlock as a non-executive director of the Financial Ombudsman Service for one final year from the end of her current term to 22 February 2018
- Alan Jenkins as a non-executive director of the Financial Ombudsman Service for a further four years from the end of his current term to 22 February 2021
- Pat Stafford as a non-executive director of the Financial Ombudsman Service for a further six months from the end of her current term to 22 August 2017
- Anne Richards as a member of the FCA Practitioner Panel for three years from 1 November 2016 to 31 October 2019.

11 Papers for noting

11.1 The Board noted the minutes of the Executive Committee meetings held on 7, 13, 23 and 25 September 2016

11.2 The Board noted the forward agenda.

There being no further business, the meeting closed

Alana Christopher
Acting Deputy Company Secretary

ANNEX A: Attendees

Megan Butler	Director, Supervision, Investment, Wholesale & Specialists
Alana Christopher	Acting Deputy Company Secretary
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Jeanette Bateman	Manager, Risk & Compliance Oversight – Review 1 (for item 10)
Maria-Jose Barbero	Manager, Pensions Accumulation (for item 12)
Martin Boffey	Manager, GCD Investment, Insurance and Redress (for item 3)
Vito Capobianco	Manager, Finance Director's Office (for item 1.1)
Jennifer Dalby	Manager, Business Planning & Prioritisation (for item 5)
Jonathan Davidson	Director, Supervision - Retail & Authorisations (for items 5 & 6)
Nausicaa Delfas	Director, Specialist Supervision Division (for items 1.2 & 3)
Simone Ferreira	Head of Department, Event Supervision (for items 1.2 & 3)
Robin Finer	Head of Department, Competition Dept 1 - Wholesale / Investment Sector (for item 8)
Barbara Frohn	Director, Risk & Compliance Oversight (for item 10)
David Geale	Director, Policy (for items 6, 11 & 12)
Cosmo Gibson	Manager, Redress (for item 11)
David Godfrey	Director, Finance (for items 1.1 & 5)
Marta Lipska	Manager, Lending 1 (for item 11)
Nick Mears	Head of Department, Head of Lending & Intermediaries (for item 11)
Lina Mortimer	Manager, Consumer Credit (for item 1.2)
Natasha Pesaro	Manager, Lending 1 (for item 11)
Georgina Philippou	Chief Operating Officer (for item 5)
Mary Starks	Director, Competition (for item 8)
Mark Steward	Director, EMO (for item 3)
Emma Stranack	Head of Department, Business & Consumer Communications (for item 1.2)
Mark Threipland	GCD Investment, Insurance and Redress (for item 12)
Andrew Whyte	Director, Communications (for item 1.2)
Becky Young	Manager, Competition Dept 1 - Wholesale / Investment Sector (for item 8)

Relevant associates and technical specialists also attended the meeting

ANNEX B: Resolution

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

Handbook Administration (No 43) Instrument 2016 (FCA 2016/67)

Supervision Manual (Amendment No 22) Instrument 2016 (FCA 2016/69)

Disclosure Guidance and Transparency Rules Sourcebook (Miscellaneous Amendments) Instrument 2016 (FCA 2016/70)

Banking: Conduct of Business Sourcebook (Disclosure by Non Ring-Fenced Bodies) (Amendment) Instrument 2016 (FCA 2016/71)