

## Minutes

Meeting:	FCA Board	
Date of Meeting:	25 and 26 April 2018	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	Charles Randell (Chair)	Ruth Kelly
	Andrew Bailey	Jane Platt
	Catherine Bradley	Nick Stace
	Amelia Fletcher	Christopher Woolard
	Bradley Fried	Sarah Hogg
	Nick Stace	Sam Woods
In attendance:	Set out in Annex A	
Apologies:	Andrew Bailey (25 April)	Sam Woods (25 April)
	Sarah Hogg (25 April)	

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### 1 Quorum and Declaration of Interests

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 The Chair informed the Board that Amelia Fletcher had been invited to be a member of the advisory panel to Sir John Kingman's review of the Financial Reporting Council (FRC). The Board was content for Ms Fletcher to accept this invitation but noted that the consent of Treasury and Department for Business, Energy & Industrial Strategy would also be required.

### 2 Minutes of the FCA Board meeting

- 2.1 The Board **approved** the minutes of the FCA Board meeting held on 21 and 22 March 2017.

### 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 from the following meetings:
- Audit Committee meeting held on 7 March 2018

- PSR Board meeting held on 14 March 2018

## **5 RegTech Call for Input on Machine Executable Regulatory Reporting**

- 5.1 The Board received an update on the work currently underway with industry and other regulators to consider how regulatory reporting of firm data could be modernised, including through machine-executable regulatory reporting.
- 5.1 The Board acknowledged the potential impact of the proposed approach such as the improvement in consistency and quality of data captured as well as the opportunities this could present to create a fundamental shift in the FCA's reporting regime. The potential impact on smaller compared to larger firms was also noted.
- 5.2 The Board expressed its support for the project and was reassured that resources had been proportionally allocated to it.
- 5.3 The Board **noted** the report.

## **6 Update on the International Division and EU Withdrawal**

- 6.1 The Board received an update on the work being conducted across the FCA to prepare for the UK's withdrawal from the European Union, noting the overall progress with negotiations, internal resource allocation for the work, risks to the FCA's objectives and potential impact to firms. The Board **noted** the update and the progress of each work stream.
- 6.2 The Board **noted** the proposed transfer of powers to make binding technical standards (BTS) to the FCA under the EU Withdrawal Bill and the proposed mechanism for Treasury veto. The Board considered the oversight of the FCA's new powers through the proposed veto. The Board requested timely visibility of emerging issues in relation to inoperables and the onshoring legal framework, especially those which required strategic input from the Board.
- 6.3 The Board also noted the impact of EU withdrawal on small businesses and highlighted the need for appropriate communications to the sector.

## **7 Updates**

- 7.1 The Board **received** updates from the Chairs of the following meetings:
- External Risk and Strategy Committee meeting held on 11 April 2018
  - Remuneration Committee meeting held on 13 April 2018
  - Remuneration Committee meeting held on 25 April 2018

## **8 Report from the Chief Executive**

- 8.1 The Board discussed Mr Bailey's report on developments since the last meeting, including:
- Financial Ombudsman Service (FOS) - the terms of reference for the independent review of the FOS, which would include an assessment of the evidence presented by the Channel 4 Dispatches programme, had been agreed and published.
- 8.2 The Board noted recent reports of scams related to sale of crypto-assets and binary options to the young and vulnerable and requested that this be monitored.

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

## **9 Report from the Prudential Regulatory Authority (PRA)**

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

## **10 Monthly Reports from the Independent Panels**

10.1 The Board reviewed and discussed the reports from the Financial Services Consumer Panel, the FCA Practitioner Panel, the FCA Smaller Business Practitioner Panel (SBPP) and the Listings Authority Advisory Panel (LAAP), including:

- The SBPP's view that the FCA should do more to comment on good behaviour in sectors which have worked hard to improve standards.
- The PP's recommendation that the FCA should consider stress testing for loan-based crowdfunding, as was done in other sectors.
- The Consumer Panel report on consumer data governance and security. The Board welcomed the report.

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

## **11 Salesforce License Renewal**

11.1 The Board considered the proposal to extend the strategic partnership with Salesforce for a further ten years as a like for like extension. The Board noted that the Salesforce platform underpinned the FCA INTACT application as well as other critical business applications and the FCA was reliant on Salesforce to ensure its regulatory goals were met.

11.2 The presenting team highlighted that the FCA was satisfied with the services provided by Salesforce and BTS was actively migrating other FCA applications and functionality to this platform, in line with the organisation's strategy of creating a unified digital operating platform.

11.3 The Board **agreed** to an extension of the contract based on:

- an initial four year term
- two optional three-year extensions

The Board also **delegated** to the Chief Operating Officer authority to approve additional purchases from Salesforce of up to an additional 30% of the Total Cost Value (TCV) over the lifetime of the contract.

## **12 The Big Upgrade Programme**

12.1 The Board noted that the "Big Upgrade" programme had experienced a number of delivery challenges which had resulted in delays to the original rollout schedule and impacted the approved financial budget. A revised integrated plan had been presented to the programme board in January. Following an independent review, additional time was added to the rollout timeline and various discussions had been undertaken to re-plan work.

12.2 The Board **noted** that the Executive had provisionally approved Big Upgrade Programme budget changes pending a final decision on the conclusion of the negotiations.

- 12.3 The Board also **noted** that the estimated total spend was based on a number of assumptions and that potentially the costs would come in lower or higher depending on contract negotiations, which could significantly change the financial funding required.
- 12.4 The Board **approved** a projected overspend against The Big Upgrade Programme Outline Business Case.
- 12.5 The Board requested that the Audit Committee be kept informed of emerging risks as the programme continued.

### **13 Cash Savings Remedies**

- 13.1 The Board **agreed** to the publication of a Discussion Paper, and the accompanying Occasional Paper, that set out the FCA's views.

### **14 High Cost Credit Review**

- 14.1 The Board was presented with an update on the work conducted over the past 14 months into the high-cost credit market and the identification of markets of significant interest to the FCA in terms of potential harm: rent-to-own (RTO), catalogue credit, doorstep lending and overdrafts. The Board noted the possible interventions in each of the markets alongside the harms they sought to address.
- 14.2 The Board noted that as well as addressing harms associated with RTO, work was required to look at how the market was operating as a whole to address the impact on some of the most vulnerable consumers. There were a number of things that could be done which were being discussed with Government, including interventions that would enable social landlords to act.
- 14.3 The Board noted that the possible interventions included actions on RTO costs and charges and that significant additional analysis was needed to determine the appropriate level for any potential RTO cap. The Board also noted the potential impact interventions could have on RTO businesses and that a strategy was required to develop alternatives to minimise the impact this may have on affected consumers.
- 14.4 In respect of overdrafts, the Board noted that the proposal for discussion, at this stage, would include options for introducing changes that would fundamentally change the market context for unarranged overdrafts. These may include a ban on all fixed fees, alignment of pricing for arranged and unarranged overdrafts, and requiring firms to charge for overdrafts using a single interest rate.
- 14.5 The Board considered the risks outlined in the paper and was **content** to signal the intention to begin developing a pricing intervention for RTO, whilst remaining open to alternatives and to announce the intention to consider and assess intervening in the structure of overdraft pricing.
- 14.6 The Chairman requested the presenting team to ensure that future proposals should articulate exit strategies for proposed market interventions.
- 14.7 The Board **noted** the report.

### **15 FSCS Funding Review**

- 15.1 The Board considered the proposed next steps on the FSCS funding review and noted the feedback received in response to CP 17/36; noting the most controversial proposals related to provider contributions.

15.2 The Board considered the proposals and **approved** final rules for the following proposals that were previously consulted on:

- 1) Changing the funding classes:
  - a) to merge the Life and Pensions Intermediation Funding class with the Investment Intermediation funding class
  - b) to move pure protection intermediation from the Life and Pensions Intermediation funding class to the General Insurance Distribution Funding class
- 2) Provider contributions:
  - a) to change the class thresholds for FCA provider classes to represent 25% of the relevant intermediary claims funding class threshold
- 3) Retail pool:
  - a) to allow all of the new funding classes (with the exception of the deposit acceptors class) to benefit from and contribute to the retail pool, including the investment provision class
- 4) FSCS compensation Limits:
  - a) to increase the FSCS compensation limit for investment provision, investment intermediation claims, home finance intermediation and debt management claims from £50,000 to £85,000, and;
  - b) changing the limit for claims in relation to the intermediation of long-term care insurance which is a pure protection contract in line with the limit for other kinds of pure protection claim, at 100% of the claim, instead of £50,000

15.3 The Board also **agreed** to:

- 1) consult on a requirement to ensure that Personal Investment Firms (PIFs) have Professional Indemnity Insurance (PII) policies that do not limit claims where the policyholder or a third party is insolvent, or where a person other than the PIF (e.g. the FSCS) is entitled to make a claim on the policy
- 2) not proceed with the proposal to require certain PIFs (with no PII cover for high-risk business lines) to pay capital into a trust account
- 3) not proceed with the proposal to require all PIFs to hold a surety bond in place of, or in addition to, capital requirements

## **16 Call for Input – Access to Insurance Update**

16.1 The Board noted the update on next steps in the travel insurance market.

## **17 Rules & Guidance to be determined**

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

## **18 Decisions of the Board**

18.1 The Board **approved** the following:

- To appoint Paul Smith as a member of the FCA Smaller Business Practitioner Panel for three years from 1 May 2018;
- To reappoint Paul Feeney as a member of the FCA Practitioner Panel for three years from 1 May 2018;

- To appoint Francis McGee to the Consumer Panel for three years from 1 May 2018.

**19 Minutes of Executive Committee meetings.**

19.1 The Board **noted** the minutes of the Executive Committee meetings held on 5, 14, 19, 20, 26, 28 February 2018, 1, 13, 14 March 2018.

**20 Minutes of Executive Regulatory Policy Committee (ERPC) meetings.**

20.1 The Board **noted** the minutes of the ERPC meetings held on 5, 19, 26 February, 1, 12 March 2018.

**21 Forward Agenda**

21.1 The Board **noted** the forward agenda

**Charles Randell**  
Chairman

## ANNEX A: Attendees

### Attending all, or substantially all, of the meeting:

Megan Butler	Director, Supervision – Investment, Wholesale and Specialists Division	
Alana Christopher	Deputy Company Secretary	
Vickiesha Chabra	Manager, Chairman's Office	
Jonathan Davidson	Director, Supervision, Retail and Authorisations	
Nausicaa Delfas	Director, International	
Sean Martin	General Counsel	
Simon Pearce	Company Secretary	
Georgina Philippou	Chief Operating Officer	
Mark Steward	Director, Enforcement and Market Oversight	
5	Nick Cook	Head of Department, MIDE RegTech & Advance Analysis
	Jo Hill	Director, MIDA Directors Office
	Gordon Chapple	
6	Lee Foulgar	Head of Department, EU & Global
	Martin Boffey	Manager, EU Coordination, General Counsel
11	James Anderson	Head of Department, BTS
	Martin Bellamy	Director, BTS
12	James Anderson	Head of Department, BTS
	Martin Bellamy	Director, BTS
	Steven Green	Manager, BTS
13	David Geale	Director, Policy
	Graeme McLean	Head of Department, Banking, Lending & Distribution
	Graeme Reynolds	Head of Department, Economics
14	David Geale	Director, Policy
	Graeme McLean	Head of Department, Banking, Lending & Distribution
	Neil Marshall	Manager, Policy Consumer Credit
	Simon Brindley	Head of Department, GCD Banking, Credit & Competition
	Graeme Reynolds	Head of Department, Economics

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| 15 | David Geale    | Director, Policy                           |
|    | Richard Fox    | Head of Department, Cross-Sectoral & Funds |
|    | Cosmo Gibson   | Manager, Redress                           |
|    | Clare Vicary   | Technical Specialist, Redress              |
|    | Pam Gross      | GCD  |
| 16 | David Geale    | Director, Policy                           |
|    | Richard Fox    | Head of Department, Cross-Sectoral & Funds |
|    | Jody Whitehorn | Manager, GCD Banking, Credit & Competition |



## **ANNEX B: Resolution**

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

Fees (Office for Professional Body Anti-Money Laundering Supervision) Instrument 2018

Financial Services Compensation Scheme (Funding Review) Instrument 2018

Financial Conduct Authority (Change of Address) Instrument