

MINUTES

Meeting:	FCA Board	
Date of Meeting:	25 October 2018	
Venue:	12 Endeavour Square, London, E20 1JN	
Present:	Charles Randell (Chair)	Nick Stace
	Andrew Bailey	Ruth Kelly (until item 7)
	Catherine Bradley	Christopher Woolard
	Amelia Fletcher	Jane Platt
	Sarah Hogg	
In attendance:	Set out in Annex A	
Apologies:	Amelia Fletcher	

1 Quorum and Conflicts

- 1.1 The meeting **noted** there was a quorum present and proceeded to business.
- 1.2 None of the Board members 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 the 26 and 27 September 2018.

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 of the following meetings:

- The Payment Systems Regulator Board Meeting held on the 17 September 2018.
- The Audit Committee Meeting held on the 21 September 2018.
- The External Risk and Strategy Committee Meeting held on the 5 September 2018.
- The Oversight Committee Meeting attended by representatives of the Financial Ombudsman Service held on the 10 September 2018.

5 Updates

- 5.1 The Chair of the Oversight Committee briefed the Board on matters considered at the Meeting attended by representatives of the Financial Ombudsman Service held on 5 October 2018

6 Report from the Chief Executive

- 6.1 The Board discussed Mr Bailey's report on developments since the last meeting, including:
- High Cost Short Term Credit (HCSTC) - In October, the chief executives of all HCSTC lenders were written to and asked to take prompt action to consider whether their affordability assessments were compliant with FCA rules, and to take remedial action if deficiencies were identified. The chief executives were also asked to inform the FCA immediately if they were unable to meet their financial commitments because of any remediation costs. The Board noted that this action followed determinations reached by the Financial Ombudsman Service (FOS) upholding complaints about affordability assessments carried out by firms.
 - Insurance Pricing Practices - In light of the super-complaint to the Competition and Markets Authority (CMA) from Citizens Advice on excessive pricing to disengaged consumers, the FCA had publicly stated its intention to conduct a market study into the pricing of home and motor insurance. The terms of reference for the market study were due to be published at the end of October alongside a report on previous work looking at the pricing of home insurance and a discussion paper on fairness in the pricing of financial services. The FCA would write to CEOs of relevant insurers and intermediaries to set out the FCA's expectations in this area, focusing on the role of firms' senior management and the governance and controls over pricing practices.
 - Water supply issue - The Board was updated on the recent issue with the water supply to 12 Endeavour Square which resulted in the closing of the building in the afternoon due to a problem with a main water pressure valve. The Board noted that the cause had been identified and FCA team was working with the Landlord to fix it.

7 Report from the PRA

- 7.1 Mr Woods presented a high-level overview of the key strategic issues for the PRA including calibration of leverage requirements for UK banks, capital investment write-offs and issues relating to outsourcing of non-regulated services.

8 Monthly reports from the Independent Panels

- 8.1 The Board reviewed and discussed the reports from Financial Services Consumer Panel (FSCP), FCA Practitioner Panel (PP), FCA Smaller Business Practitioner Panel (SBPP), Markets Practitioner Panel (MPP) and Listing Authority Advisory Panel (LAAP).
- 8.2 Nausicaa Delfas gave feedback on the LAAP and MPP meetings she had attended. She reported that both panels were supportive of the work of the FCA. LAAP encouraged the FCA to continue actively communicating about the detailed steps it would take in the event of a "hard" Brexit as this would provide some helpful reassurance to the market as to the UK's financial services framework on the day after the UK's exit from the EU.
- 8.3 MPP noted the political context and uncertainty around the Brexit negotiations that would make it difficult for firms to plan effectively and the need for the FCA to respond quickly and flexibly to the changing situation. The Panel was also interested in the FCA's enforcement approach after March 2019.
- 8.4 Jane Platt gave feedback on the FSCP meeting she had attended which focused on the consumer communications relating to Brexit. She reported that the Panel had expressed the need for the FCA, FOS, FSCS, Money Advice Service, trade associations and firms to be ready with the right messages for consumers and suggested that a working group of these stakeholders should be established now, to be able to respond quickly and with consistent messages.

9 FCA Scotland Business and Property Strategy

- 9.1 The Board discussed the costs and business strategy options for a continued presence in Scotland.
- 9.2 The Board noted that the accountable officers for the business strategy were jointly Jonathan Davidson and Megan Butler. The Finance Director, David Godfrey, would be accountable for ensuring that the property strategy falls within the agreed budget envelope.
- 9.3 It was noted that the Board should be consulted on any further changes to the business strategy, if additional budget was required.
- 9.4 The Board also requested an update on the accountability arrangements for ensuring the success of the strategy as well as clarification on the executive governance arrangements that were in place for approving the previously presented fit-out costs for the strategy.

10 EU withdrawal contingency planning and consumer update

- 10.1 The Board was presented with an analysis of the key impacts of EU Withdrawal on consumers of retail financial products and services, including areas of harm such as Brexit-related scams, economic or market downturn, as well as uncertainty or changes resulting from the future of the regulatory/legal framework. The analysis also included the work that had been undertaken to mitigate these risks and minimise disruption and the recommended approach to tackling gaps. The analysis was based on the scenario of a disorderly exit in March 2019, where there was no deal between the UK and EU.

- 10.2 The Board noted that a key concern was that consumers were able to make timely and informed decisions about how to respond to changes that might impact them. It was proposed that a phased approach to communication was adopted. As part of the first phase of this approach, high level information about how EU Withdrawal may impact consumers (both UK and EEA) and steps they may wish to consider would be published, including steps they could take to protect themselves from fraud. It was noted that the Consumer Panel had expressed its support and provided useful feedback on the initial draft. This would be followed up with further information and clear calls to action if required at key trigger points.
- 10.3 The Board welcomed the update.
- 10.4 The Board noted the level of internal challenge and assurance for the contingency planning work, namely the continued review by Internal Audit and the assurance provided by the Risk Compliance and Oversight team.
- 10.5 The Board also requested further development of the communication strategy for consumers, in the event of no deal, to ensure consumers can make timely and informed decisions about how to respond to changes that might impact them. The Board suggested that engagement of external communications advisors should be expedited.

11 FCA Corporate Prioritisation 2019/20 – Emerging Priorities

- 11.1 The Board noted the approach to Corporate Prioritisation for 2019/20 and provided feedback on the structure for the upcoming board strategy discussion. The Board asked for consideration to be given to the timing for assessing the progress made against agreed priorities.

12 The Approach to Independent Lessons Learned Reviews

- 12.1 The FCA Board previously agreed that the FCA should conduct independent lessons-learned reviews of the supervisory intervention on Interest Rate Hedging Products (IRHPs) and the FSA/FCA's involvement in the Connaught Income Series 1 Fund (Connaught). The Board also agreed that these reviews would be carried out by an external reviewer.
- 12.2 These reviews would be voluntarily commissioned by the FCA and not formally under the statutory "regulatory failure" provisions.
- 12.3 The Board:
- **approved** the creation of a board committee to oversee the conduct of independent lessons learned reviews of the supervisory intervention on IRHPs and the FSA/FCA's involvement in Connaught. The Board requested that the terms of reference was explicit that the committee was responsible for agreeing its terms of reference and for appointing the Independent Reviewer.
 - **Considered** whether members had relevant interests in order to manage any potential conflict of interest
 - **agreed** the FCA Chair should select members of the committee for approval by the Board.

13 PPI complaints and recurring non-disclosure of commission

- 13.1 The Board was presented with the responses received following consultation on CP18/18 - regular premium PPI complaints and recurring non-disclosure ('RND').
- 13.2 Following consideration of the responses the Board **approved** the recommendation to consult for one month on:
- A requirement for lenders, in respect of previously-rejected regular premium PPI Plevin complaints and for sellers, in respect of regular premium PPI mis-selling complaints previously rejected as out of jurisdiction, to write to those among these previous complainants for whom RND is relevant, to tell them they could make a new complaint about undisclosed commission, in light of RND, and
 - A requirement for sellers, in respect of certain regular or single premium PPI mis-selling complaints previously rejected as out of jurisdiction, to write to those among these previous complainants for whom Plevin (rather than RND) is relevant to tell them they can make a new complaint about undisclosed commission, in light of Plevin.
- 13.3 The Board agreed with the recommendation to make Handbook guidance and accompanying non-Handbook guidance which retained the approach to RND proposed in CP18/18 but added further high level guidance that, in many cases, it may be reasonable for firms handling RND complaints to draw from the FCA's Plevin rules and guidance. The Board was presented with and requested to make an instrument containing the proposed guidance, which was slightly updated from the instrument contained in the paper to the Board. The Board **passed** the resolution set out in Annex B.
- 13.4 The Board also discussed the recent PPI campaign adverts.

14 The organisational risk tolerance framework

- 14.1 The Board was presented with an update on the organisational risk tolerance framework including the Approach to Risk document which sets out the FCA's organisational risk tolerance statements and its attitude towards significant and enduring risks faced by the FCA. The document aligns with the approach followed by the BoE/PRA. The update considered briefly the work undertaken by (Risk and Compliance Oversight) R&CO and Supervision on the application of the tolerance framework, and the planned next steps to deliver the vision in an agile way. The Board noted that this work would be extended to other divisions in the FCA in future phases. Work to develop the risk toolkit had been discussed across the relevant parts of the FCA.
- 14.2 The Board recognised the significant achievement in developing the framework and getting agreement from across the organisation and the first line of defence.
- 14.3 The Board approved the Approach to Risk document and noted the progress of work to apply risk tolerance.

15 Embedding the Risk Management Framework

- 15.1 The Board was presented with a report on the work undertaken by the FCA's first line of defence to identify and assess the measures and approaches in place to implement the Risk Management Framework (RMF) in practice.
- 15.2 The Board noted that the embedding exercise had been a positive challenge to the organisation, both raising awareness of the revised RMF and encouraging the executive and divisions to think about how they could further improve their risk management.
- 15.3 The results of the embedding review showed that the RMF was applied in every division and that current change programmes were well positioned to improve upon perceived weaknesses.

Whilst no significant gaps were identified during the review, a number of opportunities had been identified to improve the way that thinking was applied in day to day decision making across all risk types.

- 15.4 The Board noted with enthusiasm the pace of embedding the RMF within the organisation and was satisfied with the update. The Board asked Risk and Compliance Oversight to consider how this baseline picture of the embedding of the RMF could be used effectively in future work.

16 Review of the Annual Public Meeting

- 16.1 The Board reflected on the 2018 annual public meeting and a range of views were expressed on areas to improve its effectiveness. It was acknowledged that it would be a challenge to configure the meeting to get involvement on a range of topics from all FCA stakeholders, and focus should be given to the work of the FCA across the country and with the devolved administrations.

17 Decisions of the Board

- 17.1 The Board **approved** the:

- appointment of John Hull for a further three-year term as Deputy Chair of the Regulatory Decisions Committee, with effect from 1 January 2019 to 31 December 2021
- appointment of Andy Golding as a member of the Smaller Business Practitioner Panel from 1 November 2018 to 31 October 2021
- extension of Jayne-Anne Gadhia's appointment as a member of the FCA Practitioner Panel from 1 December 2018 to 30 November 2019
- re-appointment of Sharon Collard as a member of the Consumer Panel for a second three-year term from 1 November 2018.

- 17.2 In relation to the Information Security Plan the Board:

- **noted** the direction of travel of the Plan and the overall investment across the multi-year duration of the plan
- **approved** to further develop the business cases
- **agreed** the governance structure for governing the investment of each business case
- **approved** drawdown for continuation of in-flight delivery for FY18/19, via the existing Citadel Portfolio.

18 Minutes of Executive Committee (ExCo) meetings

- 18.1 The Minutes of ExCo meetings held on 2 July, 9, July 18, 31 July, 7 September and 12 September were noted.

19 Minutes of the Executive Regulation and Policy Committee (ERPC) Meetings

- 19.1 The Minutes of the ERPC meetings held on 14 June, 21 June, 25 June, 12 July, 16 July, 19 July, 30 July, 9 August and 30 August 2018 were noted.

20 Forward Agenda

20.1 The Board noted the forward agenda.

21 Any other business

21.1 There being no further business, the meeting closed.

Charles Randell

Chairman

ANNEX A: Attendees

Attending all, or substantially all, of the meeting:

Alana Christopher	Deputy Company Secretary
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Nausicaa Delfas	Director, International
Georgina Philippou	Chief Operating Officer
Sean Martin	General Counsel
Simon Pearce	Company Secretary

Attending for the following items:

9	Maggie Craig	Head of Department – Authorisations
	Peter Hewitt-Penfold	Manager – Head of Estates Management
	William Hague	Director – Human Resources
10	Greg Sachrajda	Head of Department – International Delivery
	Lee Foulger	Head of Department, International Delivery
11	Richard Monks	Head of Department – Strategy
	Emma Jones	Manager – Strategy
12	Barbara Frohn	Director – Risk, Compliance and Oversight
	Jeanette Bateman	Manager - Risk, Compliance and Oversight
13	Mark Threipland	Head of Department – GCD Investment, Insurance and Redress

	Christopher Preston	Manager – International & Specialists Team
	Julian Watts	Technical Specialist – Events Supervision
	Caroline Mabon	Manager - GCD Investment, Insurance and Redress
14	Barbara Frohn	Director - Risk, Compliance and Oversight
	Adam Stage	Manager - Risk, Compliance and Oversight
15	Barbara Frohn	Director - Risk, Compliance and Oversight
	Peter Liddiard	Manager - Risk, Compliance and Oversight
16	Stephen Humphreys	Head of Department – Corporate Communications

ANNEX B: Resolution

The Board of the Financial Conduct Authority resolved to make the following instrument:

- Dispute Resolution: Complaints (Payment Protection Insurance)(Amendment No3) Instrument 2018