

## Minutes

Meeting:	FCA Board
Date of Meeting:	9 November 2017
Venue:	Devonport House, King William Walk, Greenwich, SE10 9JW
Present:	John Griffith-Jones (Chair) Ruth Kelly Andrew Bailey Jane Platt Catherine Bradley Nick Stace Amelia Fletcher Sam Woods Sarah Hogg Christopher Woolard
In attendance:	Set out in Annex A
Apologies:	Bradley Fried

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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 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 18 and 19 October 2017.

### 3 Matters arising

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

### 4 Draft minutes of meetings

- 4.1 The Board noted the draft minutes of the Audit Committee meeting held on 27 September 2017.
- 4.2 The Board noted the draft minutes of the External Risk and Strategy Committee (ERSC) meeting held on 10 October 2017.

### 5 Report from the Chief Executive

- 5.1 The Board discussed Mr Bailey's report on developments since the last meeting including:

- GRG – it was reported that Andrew Green QC, legal advisor appointed by the Treasury Committee to report on the FCA interim summary of the GRG s166 report, had concluded that subject to one significant issue, the summary was a fair and balanced account of the findings in the report. The issue which the legal advisor had highlighted as significant was that certain findings in regard to the RBS management's state of knowledge in the failings of GRG had been omitted from the interim summary. He had acknowledged however, that the rationale for not including this information in the report had been highlighted within the FCA's interim summary, namely considerations of fairness to individual members of management who had not had the opportunity to make representations on the findings.
- The Board was advised that heads of terms had been agreed with Capita and Capita Fund Management, under which the former will make a rescission payment, to put investors in the Connaught Series 1 Fund back in the position they would have been in had they not made the investments. It was noted that the FCA had agreed to forego the proposed penalty to ensure that all investors are properly compensated.
- The communications team had developed metrics regarding the impact of the PPI campaign and it was noted that the objective of the campaign was to engage with consumers and help them to make a decision, rather than to simply increase the level of claims.
- Our approach to external correspondence – it was noted that various areas of the organisation dealt with external correspondence as part of their work, including the CEO, complaints and supervisory teams. Work continued to ensure that the processes for communicating with consumers, market participants, members of the public and others who contact the FCA are appropriate in the particular context and that the responses are of a good and consistent quality. Some of the inherent challenges around confidentiality were noted. The importance of the whole organisation maintaining a culture of transparency was stressed by the Board.
- Changes to the executive committees – as part of the wider review of the decision making framework and to align with the Mission, the executive committee structure had been reviewed. The Board was advised that the changes would facilitate the making of reasonable, risk-based decisions. The main changes and rationale were explained and it was agreed that the changes should be reflected in governance documentation and in the senior managers regime (SMR) operated by the FCA.

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

## **6 Report from the PRA**

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

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

- 7.1 The Board reviewed and discussed the reports from the Consumer Panel, Practitioner Panel, and Smaller Business Practitioner Panel.
- 7.2 The Consumer Panel had expressed concern about the proposed credit card remedies and also urged the FCA to ban unsolicited credit increases.
- 7.3 It was reported that some Board members had recently attended a dinner hosted by the Practitioner Panel and the issues raised were noted. In particular, and as set out in their report, the Panel had expressed some concern about the burden on industry of substantial and often uncoordinated data requests associated with market studies and other reviews.

The Board discussed the changes that had been made to internal processes, which should ease the burden on firms, and it was suggested that the chair of the Information Governance Board (IGB) should meet with the panels to explain the processes which were now in place.

7.4 The Board **noted** the monthly reports from the panels.

## **8 The FCA's Quarterly Performance Report – Q2 2017/18**

8.1 The Board received the quarterly performance report for Q2 2017/18 and noted the following:

- Supervision and Authorisations – There remained a focus on strengthening operational processes and both the Delivering Effective Supervision (DES) and Delivering Effective Authorisations (DEA) projects formed part of this work.

There was also a focus on supervisory cases over two years old, with the local risk committee monitoring work that was being undertaken. Challenges in the area of resources remained, particularly in the specialist areas and work was being undertaken to develop solutions.

- Strategy and Competition – The Board noted there is a concentration of vacancies in policy areas, which are proving difficult to fill due to adverse market conditions.

Noting the improved turnaround time to respond to MP letters, the Board queried the possibility of a further reduction within the SLA. It was noted that a lot of work had been done to speed up the process, with increased oversight. There was also increased focus on improving the quality of the responses.

- FCA wide – The overall turnover of staff was broadly stable. A new diversity and inclusion strategy had been launched to support managers in giving all staff an opportunity to be heard and to provide more diverse perspectives. The Board was reminded of the large and challenging change portfolio currently faced by the organisation, which would involve the making of some important investment decisions.
- Operations - The recently recruited Director of Human Resources and Chief Information Officer had begun to make a number of positive changes in both areas.

8.2 The Board **noted** the quarterly performance report for Q2 2017/18.

## **9 'Approach to' documents**

### Approach to Authorisation

9.1 The Board received the draft Approach to Authorisation document, which set out the purpose of the FCA's authorisation process, its aims and scope at a strategic level, clearly linking the FCA Mission and decision making framework. As the document developed it had also become a useful 'how to' guide for firms and individuals using case studies to highlight the difference made by the FCA during the process. The document also identified ways in which the approach could be improved by the strategic aims of the Delivering Authorisations programme (DEA) and sought responses on whether these were the right goals through consultation questions. It was noted that the document had been shared with the Prudential Regulation Authority (PRA).

9.2 It was confirmed that the commitments to firms within the document had already been publicly made and that progress was being made in meeting these. There was some

discussion about how the outcomes of DEA would be assessed and whether this should be specifically addressed within the document.

### Approach to Competition

- 9.3 The Board received the draft Approach to Competition document outlining how the FCA seeks to promote competition in the interests of consumers. It was noted that surveys had shown that competition was the least understood of the FCA's objectives and so the document would form a useful piece of communication, demonstrating that FCA regulation promotes competition, which is fundamental to making markets work well.
- 9.4 While noting that competition is generally good for consumers, it was suggested the document should acknowledge that competition does not always achieve better consumer outcomes, and should also distinguish between anti-competitive conduct and issues with competitiveness.
- 9.5 The Board suggested that details of all market studies undertaken should be included in the document and the team welcomed any further comments on the document prior to publication on 11 December 2017.
- 9.6 The Board congratulated the Authorisation and Competition teams on two well written documents and **agreed** that they be published for consultation on 11 December, subject to any further comments received from Board members and other minor amendments.

## **10 Bank of England Conflicts of interest recommendations**

- 10.1 The Board noted that the FCA's existing procedures in respect of conflict management were broadly aligned with the recommendations in the Bank of England's report on its own management of conflicts of interest. However, the report had also highlighted some areas where improvements or clarifications could potentially be made to the FCA's procedures.
- 10.2 Work had already been undertaken this year particularly in terms of communication to raise awareness of the issues and of the expectations in terms of the Code of Conduct. The need to more explicitly link the FCA's values and the obligations in respect of conflict management was noted.
- 10.3 The Board **noted** the proposed actions and the steps to be taken in respect of making a more explicit link between managing conflicts of interest and the FCA values. It was agreed that the Board should receive a further report in February 2018 setting out the work which had been undertaken in response to recommendations in the Bank's report.

## **11 Consumer Credit (Earlier Intervention and Persistent Debt) Instrument 2017**

- 11.1 The Board was advised of the background to the proposal to seek to limit the extent to which people use credit cards to service expensive long term borrowing as opposed to more short term flexible borrowing. The proposed remedy package was consulted on in April 2017 setting out proposed new rules about the treatment of customers experiencing persistent credit card debt over 18 to 36 months.
- 11.2 On reviewing the responses to the CP, it had come to light that two firms' data had been omitted from the figures in the published cost benefit analysis (CBA).
- 11.3 The Board agreed to re-consult on the basis of a revised CBA, and that the request to make the Instrument should therefore be withdrawn.

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

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

## **13 Decisions of the Board**

13.1 The Board **approved**:

- an extension to the contract with the FCA's current security partner, for the provision of physical security services until 30 June 2019.

## **14 Minutes of Executive Committee meetings**

14.1 The Board noted the minutes of the Executive Committee meetings held on 6, 11, 18, 21 & 26 September 2017.

## **15 Forward Agenda**

15.1 The Board noted the forward agenda.

**John Griffith-Jones**  
Chairman

**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
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Mark Steward	Director, Enforcement and Market Oversight

**Also attending for the following items:**

8	David Godfrey	Director, Finance, Operations
	Alex Roy	Manager, Strategy Development, Strategy & Competition
9	Sarah Rapson	Director, Authorisations, Supervision – Retail & Authorisation
	Mary Starks	Director, Competitions and Economics, Strategy & Competition
	Anthony Daughton	Technical Specialist, Wholesale & Investments, Strategy & Competition

Relevant associates also attended the meeting

## **ANNEX B: Resolution**

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

MiFID 2 Guide Instrument 2017 (FCA 2017/63)

Capital Requirements Directive IV (Amendment) Instrument 2017 (FCA 2017/64)