

Minutes

Meeting: FCA Board
Date of Meeting: 26 March 2020
Venue: Meeting held via Skype

Present:	Charles Randell (Chair)	Sarah Hogg (for items 1-6)
	Catherine Bradley	Richard Lloyd
	Liam Coleman	Christopher Woolard
	Amelia Fletcher	Tommaso Valletti
	Alice Maynard	

Apologies: Sam Woods

In attendance: Set out in Annex A

1 Quorum and declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 Catherine Bradley noted that, as previously declared to the Board, she was a board member of easyJet plc, which was affected by the coronavirus (Covid-19) pandemic. The Board **agreed** that none of the interests declared represented a conflict in relation to the items to be discussed.

2 The coronavirus (Covid-19) pandemic

- 2.1 The Chief Executive summarised the FCA's activities and ongoing priorities in response to the Covid-19 pandemic. Internally this focussed on the continuity of delivery of the FCA's work, with particular reference to the stability of supporting technology and the wellbeing of FCA personnel. Externally this focussed on ensuring the continued orderly functioning of markets in a period of volatility, influencing the introduction of measures to ensure the fair treatment of consumers and developing formal interventions where considered necessary.
 - 2.2 The Board recognised the importance of the FCA maintaining a proactive and regular dialogue with its full range of stakeholders at this time. This included, but was not limited to, continued engagement with:
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- i. HM Treasury and the Bank of England to ensure that the package of measures introduced by the authorities was coherent and could be operationalised by firms
 - ii. the Competition and Markets Authority to ensure the application of competition law reflects the current circumstances
 - iii. The Money and Pension Service and Department for Work and Pensions regarding the provision of clear and good quality consumer advice
 - iv. The National Economic Crime Centre in relation to the impact on the level of fraud and other types of financial crime
 - v. European Securities and Markets Authority (ESMA), on invitation, under the provisions of the withdrawal agreement. It was noted that the UK remained in the transition period following its withdrawal from the EU and was therefore subject to European legislation by virtue of the withdrawal agreement, and affected by some decisions taken by ESMA.
- 2.3 The difficulties for firms, in a range of markets, were considered along with the FCA's role and accompanying resource implications of monitoring, facilitating and intervening, where necessary, in any resulting firm failures.
- 2.4 Work was also underway to consider the longer-term implications of Covid-19 and develop associated strategies.
- 2.5 Appropriate adaptations to Board reporting and governance processes, in response to Covid-19, were considered including increasing the frequency of Board and Board committee meetings and the repurposing of management information to minimise the executive burden whilst keeping the Board regularly updated.
- 2.6 The Board recognised the exceptionally broad spectrum of work underway and recorded their appreciation for the dedicated response of all FCA personnel during personally unsettling times.

3 FCA External View

- 3.1 Drawing on an assessment of current external perceptions of the FCA, discussion focused on a number of areas where the communications approach could be strengthened. This included developing the FCA's reputation as a thought leader, building its network of stakeholders and advocates and increasing public engagement. The implications of Covid-19 on the organisation's communication strategy were also considered.

4 Report from the Chief Executive

- 4.1 Mr Woolard briefed the Board on a number of topical issues, including:
- i. Mortgage prisoners: Guidance had been issued to mortgage providers on how to meet the challenges that the Covid-19 pandemic poses to borrowers, including provisions for deferral of mortgage payments and the cessation of repossessions.
 - ii. A package of measures to support users of certain consumer credit products was also being developed and would be submitted to the Board shortly. In addition, the FCA continued to work with Government and others to develop ways to increase access to fair and affordable credit, especially options to increase availability and awareness of alternatives to high-cost credit.

- iii. BTS portfolio: Modelling was currently underway to explore the impact of the Covid-19 pandemic on the portfolio. The associated risks including the resilience of overseas third-party suppliers, the ability to deliver projects to time and budget and the stability of systems were discussed. The role of AuditCo during this period was also considered.

5 20/21 External Business Plan Final Draft

- 5.1 The business plan set out the FCA's priorities areas for the next one to three years, as well as other cross-cutting and sector work. The plan had been revised and adapted in response to the Covid-19 pandemic. However, it was recognised that planning for the year ahead was difficult and that the implications of Covid-19 were likely to impact on every aspect of work.
- 5.2 The need for a flexible working approach was acknowledged, including potential delays to existing work so focus could be given to those areas that supported consumers and markets during these challenging times. However, it was noted that existing work would continue, where it could without undermining the FCA's response to Covid-19. But that it was currently unclear when a more stable position would be reached and the organisation could turn itself fully to planned activities.
- 5.3 The Board supported the demonstration of a clear strategic direction whilst also acknowledging the organisational change programme currently underway and the need for new ways of working. It was recognised that preparations for withdrawal from the EU would also continue as planned.
- 5.4 The Board **approved** the 20/21 external business plan in principle, for publication on 07 April 2020.
- 5.5 The Board **delegated authority** to the Chief Executive to sign off the 20/21 external business plan prior to publications.

6 FCA Fees 2020/21

- 6.1 The Board considered the proposals in the context of costs changes across the wider regulatory family. A range of mitigations to ease the financial burden on firms, particularly for small and medium-sized businesses, in the current environment were explored. The balance between easing this burden and ensuring the FCA could deliver its business plan and meet its financial commitments was also considered.
- 6.2 The Board **agreed** to retain the existing £587.6M 2020/21 funding requirement subject to:
 - i. Keeping minimum fees unchanged
 - ii. Extending the payment terms of fees from 30 to 90 days for small/medium fee payers
- 6.3 The Board **approved** the following for consultation:
 - i. Proposed 2020/21 FCA periodic fees:
 - a variable periodic fees aligned to the 5.2% increase in our annual funding requirement (AFR) modified for fee-block allocations by exception relating to scope change, EU Withdrawal costs, Transformation Programme costs and reallocation of £12m AFR to the consumer credit fee-blocks; and
 - b periodic fees aligned to the 2% increase (flat in real terms) in our ongoing regulatory activities budget (i.e. those firms with a consolidated invoice below £10k)

- ii. Allocation of the £2.3m 2020/21 consumer harm campaign costs proportionately across all fee-blocks but excluding any impact on minimum and flat periodic fees.
- iii. Increasing Part VII insurance business transfer application fees to £20,000 (from £9,250) for life insurance business and £12,500 (from £5,000) for general insurance business

6.4 The Board **noted** the costs associated with the Financial Services Compensation Scheme compensation cost levy for 2020/21. This underlined the importance of aspects of the FCA's Transformation programme, and the ambition to achieve greater prevention of harm through changed capabilities and analytics.

7 Financial Ombudsman Service (FOS) 2020/21 Budget

- 7.1 The Board received the FOS 2020/21 budget, developed before the escalation of the Covid-19 pandemic. It was noted that the accompanying income model was based on increasing the proportion of income sought via the compulsory jurisdiction levy.
- 7.2 The impact of increased regulatory costs to firms, exacerbated in the current environment, was acknowledged. A range of mitigations were considered, aimed at minimising the impact, in particular for small and medium-sized businesses.
- 7.3 The implications of several Covid-19 operating scenarios on the FOS's budget and reserves were also explored.
- 7.4 The Board **delegated** to the Oversight Committee:
 - i. approval of the budget of the Financial Ombudsman Service (FOS) for 2020/21 (along with a mandate to consider the associated FCA consultation on the FOS general levy)
 - ii. consent to FOS scheme rules relating to compulsory jurisdiction fees for 2020/21
 - iii. approval of FOS standard terms relating to voluntary jurisdiction payments for 2020/21
- 7.5 This delegation to have effect notwithstanding anything to the contrary in the Schedule of Matters Reserved to the FCA Board.

8 Decisions of the Board

- 8.1 The Board **approved** the minutes of the meeting 27 February 2020 and ratified the minutes of the meeting of 29 and 30 January 2020.
- 8.2 The Board **approved** the publication of the finalised guidance on Assessing Adequate Financial Resources.
- 8.3 The Board **resolved** to make the following instruments:
 - i. Insurance: Access to Travel Insurance (Confirmation, Remaking and Amendments) Instrument 2020 (FCA 2020/10)
 - ii. Handbook Administration (No 52) Instrument 2020 (FCA 2020/11)
 - iii. Financial Services Compensation Scheme (Management Expenses Levy Limit 2020/2021) Instrument 2020 (FCA 2020/12)
 - iv. Listing Rules (Contents of Circulars) (Amendment) Instrument 2020 (FCA 2020/13)

v. Listing Rules (Disclosure of Rights of Securities) Instrument 2020 (FCA 2020/14)

- 8.4 The Board **approved** the appointment of Richard Lloyd as Senior Independent Director, with effect from 1 April 2020.
- 8.5 The Board **approved** the appointment of Alice Maynard to the Remuneration Committee, with immediate effect.
- 8.6 The Board **approved** the appointment of Liam Coleman to the LCF Review Committee, with immediate effect.
- 8.7 The Board **approved** the appointment of Alice Maynard and Jeannette Lichner to the Risk Committee, with immediate effect and from 1 April respectively.
- 8.8 The Board **approved** the appointment of The Law Debenture Pension Trust Corporation plc, represented by Samantha Pitt, as Chair of the Board of FCA Pension Plan Trustee Limited (the Trustee), with effect from 1 April 2020, to succeed Baroness Hogg who stands down from the Board of the Trustee on 31 March 2020.
- 8.9 The Board **approved** the reappointment of Caroline Gardner as director of FCA Pension Plan Trustee Limited, with effect from 5 June 2020.
- 8.10 The Board **approved** the reappointment of Simon Pearce as Director of FCA Pension Plan Trustee Limited with effect from 19 October 2020, subject to confirmation from the Chair of the FCA Board at the time.
- 8.11 The Board **approved** the reappointment of Gary Admans and James Laing as members of the FCA's Listing Authority Advisory Panel (LAAP) for a second three-year term from 1 April 2020 to 31 March 2023.
- 8.12 The Board **approved** the re-appointment of Aileen Taylor as a member of the FCA's LAAP for two years from 1 June 2020 to 31 May 2022.

9 Papers for noting

- 9.1 The Board **noted** the following:
- i. the progress with the matters arising from previous meetings
 - ii. the reports from the Chairs of Audit and Oversight Committees
 - iii. the Monthly Reports from the Independent Panels
 - iv. the BTS Quarterly Report

10 Any other Business

- 10.1 The Board acknowledged that Amelia Fletcher would be standing down from the Board on 31 March 2020, thanked her for her significant contribution to the FCA and wished her well for the future.
- 10.2 There being no further business, the meeting closed.

Charles Randell
Chairman

ANNEX A: Attendees*

Attending for all, or substantially all of the meeting:

Megan Butler	Director, Supervision – Inv., Wholesale and Specialist (from 1:00 pm)
Jonathan Davidson	Director, Supervision – Retail & Authorisations
Nausicaa Delfas	Director, International
Sheree Howard	Director, Risk and Compliance Oversight
Jeannette Lichner	Non-Executive Director elect
Sean Martin	General Counsel
Sheldon Mills	Director, Strategy & Competition
Georgina Philippou	Chief Operating Officer
Simon Pearce	Company Secretary
Mark Steward	Director, Enforcement and Market Oversight

Attending for the following items:

3	Andrew Whyte	Director, Communications
5	Katie Fisher	Interim Director, Strategy
	Natasha Oakley	Head of Department, Strategy & Analysis
	William Hague	Director, Human Resources & Transformation
	Graeme McLean	Head of Department, Transformation
	Andrew Whyte	Director, Communications
6	David Godfrey	Director, Finance
	Mark Hunnable	Manager, Finance and Revenue
7	Richard Sutcliffe	Head of Department, Redress & Retail Lending
	Caroline Wayman	Financial Ombudsman Service
	Julia Cavanagh	Financial Ombudsman Service

* Relevant associates were also in attendance