

Minutes

Meeting: FCA Board

Date of Meeting: 28 March 2024

Start time: 09:00

Venue: Meeting held in Boardroom and via Microsoft Teams

Members Present: Ashley Alder (Chair) Liam Coleman
Aidene Walsh Nikhil Rathi
Alice Maynard Richard Lloyd
Bernadette Conroy Sam Woods
Bryan Zhang Sophie Hutcherson

In attendance: Set out in Annex A

Presenters: Set out in Annex A

Apologies: None

1 Declarations of interest

- i. The meeting noted there was a quorum present and proceeded to business.
 - ii. No interests were declared in the items to be discussed.
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2 Reports from the Chairs of Board Committees

- 2.1 The Board **noted** the report from the Chair of the Oversight Committee meeting held on 5 March 2024. Key topics discussed at Oversight Committee included:
- i. Assurance sought from the Financial Ombudsman Service (FOS) FOS on performance outcomes through its transformation programme.
 - ii. Recommending the FOS Post-consultation budget 2024/25 to the FCA Board. The final budget covers how reserves would be used to deliver reductions in case fees and to meet uncertain levels of demand.
 - iii. FOS plans for charging professional representatives – the Committee discussed principles of relevance to a forthcoming FOS consultation on charging.
 - iv. Recommending to the FCA Board the reappointment of Dr Jacob Abboud as FOS Non-Executive Director.
 - v. Assurance sought from the Financial Services Compensation Scheme (FSCS) on mitigations against risks arising from dual running of insourced and outsourced claims assessments as part of an overall transition to a model which delivers improved performance.
 - vi. Recommending the FSCS - post-consultation Management Expenses Levy Limit (MELL) 2024/25 to the FCA Board for approval alongside the annual 'comfort letter' to cover any exceptional demands on the FSCS.
 - vii. Reappointment of the FSCS Chair to allow for sequential recruitment activity to take place.
- 2.2 The Board **noted** the report from the Chair of the Performance Committee meeting held on 7 March 2024. Key topics discussed at Performance Committee included:
- i. Quarter 3 updates on finance, operating metrics and hotspots, strategic commitments and the change portfolio.
 - ii. The FCA's transformation programme & transition to business as usual.

- iii. The Committee's support for the approval of a "Digital Unified Intelligence Environment" (DUIE) investment case, noting that DUIE is a group of connected products, services and foundational capabilities that support the generation and delivery of operational intelligence.
- iv. A 'data journey' workshop that was being scheduled and to which all Board members would be invited.
- v. Plans to bring the Committee to a higher strategic level.

2.3 The Board **noted** the report from the Chair of the Risk Committee meeting held on 14 March 2024. The Board also **noted** the verbal update from the meeting held on 21 March 2024. Key topics discussed at Risk Committee included:

- i. Review of an early draft of the Principal Risks and Uncertainties section for inclusion in the 2023/24 Annual Report and Accounts.
- ii. R&CO's Risk Report, including a discussion on capability risk and which aspects of this should be considered by PeopleCo.
- iii. The Risk Management Framework (RMF), with a discussion on the escalation and accountability process for risk acceptance and the current risk tolerance position. RiskCo approved the proposal to change to a two-yearly review frequency, subject to an earlier return if there are any material changes, whilst also requesting that the team return to the Committee in one year to provide an update on any material changes made in year, particularly on risk acceptance.
- iv. Approval of an R&CO Annual Operational Plan 2024, including the approach to identifying and considering risks.
- v. Discussion around the next phase of the FCA's strategy, looking at; horizon scanning, AI and digital markets, later life income, wholesale markets and climate and other environmental risks.

2.4 The Board **noted** the report from the Chair of the Audit Committee meeting held on 14 March 2024. Key topics discussed at Audit Committee included:

- i. Approval of changes to the 2023/24 Internal Audit Plan.

- ii. A discussion on the direction of travel for a potential review of the FCA's Whistleblowing Policy.
- iii. A discussion and recommendation to the Board for approval of Preliminary Accounting Judgements, Estimates and Disclosures.
- iv. A discussion on the Compliance Plan 2023-24, including risks concerning data protection matching increased data expansion, and the targeting of policy reviews in the most impactful areas. AuditCo requested a further data protection update, including the work of the Data Protection Officer around FCA compliance with UK GDPR and the Data Protection Act.
- v. Review and recommendation to the Board for approval of updated Audit Committee Terms of Reference to recognise distinctive Audit Committee functions in respect of the FCA and PSR.
- vi. Approval of a 2024-2027 three-year strategic Internal Audit Plan, noting that an outsourced Internal Audit partner contract was coming to an end.

2.5 The Board also **noted** the verbal update from the Chair of the People Committee meeting held on 21 March 2024. Key topics discussed at People Committee included:

- i. Approval of annual pay reviews 2024 for the CEO and the Senior Leadership Team.
- ii. The annual review of remuneration for the Board Directors of FOS, FSCS & PSR and associated bodies (Consumer Panel, Smaller Business Practitioner Panel, Regulatory Decisions Committee, Competition Decisions Committee and Pension Plan Trustee), recommending no changes.
- iii. Approval of the CEO/Chair expenses policy.
- iv. A discussion on the FCA's approach to longer term talent and skills management, noting the link to the capability risk.

3 Independent Panels Monthly Reports

- 3.1 The Board **noted** the reports from the Independent Panels, particularly in relation to common themes such as the recent enforcement consultation about public interest criteria of relevance to potential announcements of investigations.
- 3.2 The Company Secretary provided an update on the Panel forward-looking priorities which had been considered at the February 2024 Board meeting.

4 Report from the PRA

- 4.1 Mr Woods briefed the Board on the business of the PRA that was of relevance to the FCA. He spoke about the ongoing reduction in the level of reserves in the financial system and the need for banks and regulators to pay close attention to any liquidity impacts this may have over time.

5 Report from the PSR

- 5.1 Ms Walsh briefed the Board on the business of the PSR that was of relevance to the FCA, specifically noting the PSR's ongoing work on:
 - i. The Faster Payments System and potential next steps.
 - ii. Openbanking and the work that the PSR is progressing with the FCA.
 - iii. Cards policy, including cross border interchange fees which is currently expected to proceed to final review in the coming months and on scheme and processing fees.
 - iv. Its approach to supervision and the key stakeholder relationships following the appointment of the first Head of Supervision and new Head of strategy.

6 Report from the Chief Executive

- 6.1 Mr Rathi briefed the Board on a number of topical issues, including:

- i. Ongoing policy discussions around “buy now pay later”, the FCA’s regulatory perimeter and related voluntary codes of conduct.
 - ii. Ongoing discussions about cost disclosure by Investment Trusts.
 - iii. Next steps following the recently closed UK Listing Regime Consultation.
 - iv. A letter received by both the PRA and FCA from the Secretary of State for Business and Trade raising questions about diversity and inclusion proposals.
- 6.2 The Executive Director, Enforcement & Market Oversight provided an update on the consultation, ‘Our Enforcement Guide and publicising enforcement investigations - a new approach’, noting the high level of stakeholder engagement with the consultation.
- 6.3 The Executive Director, Enforcement & Market Oversight also provided an update on the various projects ongoing, looking at processes and governance.
- 6.4 The Board sought assurance on the management of new contracts to be procured under the Digital Services Framework and the handling of extensions to existing contracts to facilitate a transition to the framework.
- 6.5 The Board noted slippage in delivery from March to May/June 2024 for the Digital Securities Sandbox to accommodate Bank of England timetables.
- 6.6 Teams were congratulated by the Board on the successful internal Data and Digital Live activities which ran across the organisation on a range of data and digital topics.

7 Finance Report

Digital Unified Intelligence Environment (DUIE) Investment Case

- 7.1 Following recommendation from Performance Committee, the Board **approved** the DUIE Investment Case

8 Rules, Guidance and Technical Standards to be determined:

8.1 The Board **resolved** to make the following instruments:

- i. Data Reporting Services Forms (Amendment) Instrument 2024.
- ii. Consumer Credit and Mortgages (Tailored Support) Instrument 2024.
- iii. Periodic Fees (2024/2025) and Other Fees Instrument 2024.
- iv. Fees (Special Project Fee for Restructuring) (Amendment) Instrument 2024.
- v. Collective Investment Schemes Sourcebook (Miscellaneous Amendments) Instrument 2024.
- vi. Credit Unions Sourcebook Instrument 2024.
- vii. Conduct of Business Sourcebook (Amendment) Instrument 2024.
- viii. Financial Services Compensation Scheme (Management Expenses Levy Limit 2024/2025) Instrument 2024.
- ix. Financial Promotions and High-Risk Investments (Incentives) Instrument 2024.
- x. Investment Firms Prudential Regime (Amendment) Instrument 2024.
- xi. Handbook Administration (No 69) Instrument 2024.

8.2 The Board **approved** the making by the Board of the Financial Ombudsman Service Ltd of the following instrument which falls within the responsibility of that organisation:

- i. Financial Ombudsman Service Case Fees and Voluntary Jurisdiction Levy 2024/2025: Fees and Dispute Resolution: Complaints (Amendments) Instrument 2024.

8.3 The Board also **approved** the standard draft comfort letter from the FCA Chair to the Financial Services Compensation Scheme (FSCS) Chair on the Management Expenses Levy Limit (MELL) unlevied reserve.

9 Preliminary accounting judgements, estimates and disclosures

- 9.1 The Board **approved** preliminary accounting judgements, estimates and disclosures relevant to the FCA's consolidated financial statements for the year ending 31 March 2024.
- 9.2 The Board **confirmed** the FCA's intention to guarantee the Complaints Commissioner (OCC) funding for 2024/25 of £1.17m (2023/24: £0.60m), noting that this position would continue to be reviewed on an annual basis. The Board also noted its concern about the significant increase and whether it represented value for money. It was agreed that this concern be relayed to the OCC.
- 9.3 The Board also **noted** the following in relation to preparation of the 2023/24 Annual Report and Accounts; Provisions and contingent liabilities disclosures, expected accumulated surplus, HM Treasury Draft Account Direction for 2023/24, Principal Risks and Uncertainties, timetable and status of the NAO's audit.

10 Digital register portfolio: Purpose of the Register

- 10.1 Following on from previous discussions on the purpose of the register, the Board discussed proposed principles, purposes, and consumer value statement for Register services.
- 10.2 Overall, the Board were supportive of the plans to develop the register and discussed options related to the way in which the Register might signpost FOS/FSCS coverage, noting that responsibility for determining coverage lies with FOS/FSCS.

11 Decisions of the Board/Board committee

Minutes of previous meeting

- 11.1 The Board **approved** the minutes of the meeting held on 29 February 2024.

Action Log

- 11.2 The Board noted the action log and **approved** the closure of completed actions.

Independent Panel appointments

11.3 The Board **approved** the reappointment of Alasdair Haynes as a member of the FCA Practitioner Panel from 1 April 2024 to 31 March 2027.

Reappointment of Dr Jacob Abboud as a Non-Executive Director of the Financial Ombudsman Service (FOS)

11.4 The Board **approved** Oversight Committee's recommendation to reappoint Dr Jacob Abboud as a NED of the FOS Board for a period of three years from 1 April 2024 to 31 March 2027.

Financial Ombudsman Service Final budget 2024/25

11.5 The Board **approved** the FOS's final budget for 2024/25, including the reduction in the case fee, and in doing so, **approved** the Fees Manual (Financial Ombudsman Service Case Fees and Voluntary Jurisdiction Levy 2024/2025 Instrument) 2024 (FOS 2024/1).

FCA Audit Committee Terms of Reference

11.6 The Board **approved** proposed changes to the Terms of Reference of the FCA Audit Committee as recommended by the Audit Committee and noted in the earlier report from the Audit Committee Chair.

FCA Operational Resilience

11.7 The Board asked that the 2023/24 Operational Resilience Self-Assessment be considered at Risk Committee for discussion, prior to returning as a decision of the Board.

12 Papers for noting

12.1 The Board noted the following:

Written Procedures

12.2 The Board **noted** the following decision taken by written procedure:

- i. Reappointments of the FSCS Chair and the FSCS CEO as recommended by the Oversight Committee.

Perimeter Report Quarterly Update

12.3 The Board **noted** the Perimeter Report Quarterly Update.

There being no further business the meeting closed.

Annex A: Attendees, presenters and observers

In attendance:

Emily Shepperd – Executive Director, Authorisations, and Chief Operating Officer
 Sheldon Mills – Executive Director, Consumers & Competition (from item 3 onwards)
 Stephen Braviner Roman – Executive Director, General Counsel
 Therese Chambers – Executive Director, Enforcement & Market Oversight
 William Hague – Director, Company Secretary
 Graeme McLean – Head of Department, Chief Executive Office
 Adam Sully – Manager, Interim Private Secretary, Chairs Office

Presenters and observers:

Item 1 - Declarations of interest	No attendees
Item 2 – Reports from Chairs of Board Committees	No attendees
Item 3 – Independent Panels Monthly Reports	No attendees
Item 4 - Report from the PRA	No attendees
Item 5– Report from the PSR	No attendees
Item 6 - Report from the Chief Executive	No attendees
Item 7 – Finance Report	Craig Chapman – Director
Item 8 – Rules and Guidance and Technical Standards to be determined	No attendees
Item 9 - Preliminary accounting judgements, estimates and disclosures	Craig Chapman – Director Joe Genova – Head of Department

Item 10 - Digital register portfolio: Purpose of the register	Dominic Cashman – Director Hannah Lipscombe-Mitchell – Head of Department Ross Marden – Manager
Item 11 – Decisions of the Board	No attendees
Item 12 – Papers for noting	No attendees

Other relevant associates were also in attendance.