

## Minutes

Meeting:	FCA Board	
Date of Meeting:	22 & 23 February 2017	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	John Griffith-Jones (Chair)	
	Andrew Bailey	Sarah Hogg
	Catherine Bradley	Ruth Kelly
	Amelia Fletcher	Jane Platt
	Bradley Fried	Christopher Woolard
	Sam Woods	
In attendance:	Set out in Annex A	
Apologies:	Andrew Bailey ( <i>for 22 February only</i> )	
	Sam Woods ( <i>for 22 February only</i> )	
	Ruth Kelly ( <i>for 23 February only</i> )	

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### 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.

#### ***Business conducted on 22 February 2017***

### 2 House View update

- 2.1 The Board received the second of a planned series of updates on the House Views. It was noted that the purpose of these updates, to be received three times a year, was to brief the Board on the most important and latest sector intelligence and the impact this has on each sector's key risks and key cross-sector risks. The Board discussed the key issues highlighted by the update and noted that the risks identified should be included in the Risk Outlook of the Business Plan.
- 2.2 The Board noted that revisions to each House View would be scrutinised by the External Risk and Strategy Committee.

### **3 Digital Technology Leadership**

- 3.1 The Board noted the recommendations of the Chief Executive and the Chief Operating Officer to recruit a new Chief Information Officer. The Board discussed the objectives and preferred attributes that would be sought in a candidate, and that the individual would work at Executive level, though maintaining the existing reporting line to the Chief Operating Officer.

### **4 Payment Systems Regulator Annual Plan 2017/18**

- 4.1 The Board reviewed and approved the 2017/18 Annual Plan of the Payment Systems Regulator (PSR) and delegated authority to Hannah Nixon, PSR Managing Director, to make final minor changes.

### **5 Minutes of the FCA Board meeting**

- 5.1 The Board approved the minutes of the FCA Board meeting held on 24 and 25 January 2017.

### **6 Minutes of the PSR Board meeting**

- 6.1 The Board noted the draft minutes of the PSR Board meeting held on 19 January 2017.

### **7 Reports from FCA Board Committees**

- 7.1 John Griffith-Jones reported on the matters discussed at the Financial Ombudsman Service (FOS) Oversight Committee meeting held on 14 February 2017 and the Money Advice Service (MAS) Oversight Committee meeting held on 21 February 2017.
- 7.2 Jane Platt reported on the matters discussed at the External Risk and Strategy Committee meeting held on 16 February 2017.

### **8 Matters arising**

- 8.1 The Board noted the progress with the matters arising at previous meetings.

### **9 Decisions of the Board**

- 9.1 The Board approved:
- a) the reappointment of Pamela Meadows and Teresa Fritz as members of the Consumer Panel for a third three-year term commencing on April 1 2017. The Board also approved the appointment of Angela Roberts as a member of the Consumer Panel for an initial three year term commencing on 1 March 2017.
  - b) the appointment of Nicholas Coghill and Sue Round as members of the Smaller Business Practitioner Panel (SBPP) for an initial three year term commencing on 1 March 2017, the reappointment of Richard Haas as Deputy Chair and as a member of the SBPP from 1 April 2017 to 31 March 2020 and the reappointment of Peter Minter as a member of the SBPP from 1 April 2017 to 31 March 2020.
  - c) the extension of the appointment of Robert Mass as Chairman of the Markets Practitioner Panel (MPP) to 30 June 2017 and the appointment of John Trundle as Chairman of the MPP from 1 July 2017 to 30 June 2019, subject to the approval of HM Treasury.

## **10 Minutes of Executive Committee meetings**

- 10.1 The Board noted the minutes of the Executive Committee meetings held on 4 and 11 January 2017.

### ***Business conducted on 23 February 2017***

## **11 Report from the Chief Executive**

- 11.1 The Board received an update from the Chief Executive on matters including:
- a) The proposed merger between the London Stock Exchange and Deutsche Boerse.
  - b) A recent cyber-attack on the Polish Financial Supervision Authority.
  - c) Discussions that had taken place with the Ministry of Justice and HM Treasury concerning the proposed change in the Ogden discount rate.
  - d) Work being undertaken in preparation for Brexit, including the first meeting of the joint HM Treasury/FCA Senior Steering Board in January.
  - e) The breach of Articles 7 and 9 of the EU Regulatory Technical Standards relating to the European Electronic Access Point caused by an unrealistic deadline set for implementation. In answer to a query from the Board it was explained that the breach did not increase operational risk and the actions being taken to achieve compliance were described.

## **12 Quarterly Performance report**

- 12.1 The Board reviewed and discussed the quarterly performance report, noting:
- The increase in fixed portfolio firms within the retail and wholesale supervision portfolio, and the challenges this presented.
  - Risks associated with the Gibraltar insurance sector, and the actions being taken to mitigate these.
  - Issues relating to the ICE Libor benchmark panels. It was noted that it was planned to issue a consultation paper in March that aimed to establish a more stable basis for the benchmark.
  - Duration of cases undertaken by the Enforcement and Market Oversight division.
  - Progress with the Regulatory Sandbox.
  - The forecast financial outcome for the year.
  - The impact of IR35 on staffing within the Business and Technology Services Division.

*Sam Woods joined the meeting at 11:00 am*

## **13 Monthly report from the Panels**

- 13.1 The Board reviewed the reports from the Practitioner Panel, the Smaller Business Practitioner Panel, the Markets Practitioner Panel and the Consumer Panel.

## **14 Rules and guidance on PPI complaint-handling**

- 14.1 The Board recalled that at its previous meeting in January, it had agreed in principle that the FCA proceed with the package of measures relating to the handling of PPI complaints as described in CP16/20, with some amendments, namely:
- the implementation date of rules and guidance in light of *Plevin* will now be aligned with the implementation of the deadline rule, to give firms more time to prepare and for the FCA to check firms' preparations.
  - to now require PPI sellers to write to previously rejected complainants who are eligible to complain under the new rules and guidance in light of *Plevin*, in order to explain this to them.
  - to now carve out from the deadline future complaints against the seller which follow and concern a claim on a live PPI policy that is rejected by the insurer on the basis of ineligibility or because of any exclusion or limitation in the policy.
- 14.2 The team confirmed to the Board that the evidence it had obtained indicated that a large scale multi-channel campaign delivering an authoritative message from a trusted 'governmental' source in an engaging way, would be effective in achieving the FCA's objectives, in particular raising awareness of the deadline and prompting consumers to engage with PPI ahead of the deadline.
- 14.3 The team also confirmed that, by the time of launch, they expected to have a fully tested contingency option for use in the event it was not feasible to proceed with the proposed campaign concept.
- 14.4 After discussion, the Board agreed that, given the evidence and proposed mitigations for the communications campaign in relation to protected groups and vulnerable consumers, the potential disadvantages identified will be eliminated, or where they are not eliminated entirely they will be minimised to a level where it is reasonable and justified to proceed.
- 14.5 The Board also agreed to approve the measures described in CP16/20, with the amendments referred to above, with the fee rule to come into force on 31 March 2017, the deadline and *Plevin* rules to come into force on 29 August 2017, the campaign to start at the same time in August 2017, the two year deadline to fall on 29 August 2019, and for a policy statement to be published to this effect.
- 14.6 The Board agreed in principle to make an instrument containing the measures described above, and for that instrument to be published at the same time as the policy statement, but decided to defer a final decision on making the instrument until it had received confirmation that the proposed campaign could go ahead.
- 14.7 The Board also agreed to defer a decision to make an instrument amending the current definition of 'historic interest' in the existing rules and guidance relating to the handling of PPI complaints, and for that instrument to be published at the same time as the policy statement.

## **15 Update on MiFID II taping proposals following CP16/29**

- 15.1 The Board was reminded that MiFID II introduces a requirement that MiFID firms must tape telephone conversations that either result in or are intended to result in transactions, when they undertake relevant conversations or communications. In consultation paper CP16/29, the FCA consulted on a range of policy proposals designed to align the UK domestic regime with these new requirements, together with a number of discretionary proposals to extend the obligation to tape certain conversations.

- 15.2 The Board noted that the consultation focused on three distinct areas: taping for firms including Retail Financial Advisers (RFAs) caught by Article 3 of the directive, the extension of taping to corporate finance business and the removal of the qualified exemption for discretionary investment managers. It was reported to the Board that significant and wide-ranging responses to the consultation had been received. This was particularly the case in respect of the proposal to extend the taping requirement to RFAs, with many respondents arguing that the proposal was disproportionate and of questionable relevance to the RFA business model.
- 15.3 Having considered these representations and after further engagement with industry, the team had concluded there was merit in the argument that at least for some RFAs, the telephone is not the main channel for conversations about client orders. Accordingly it was proposed to allow RFAs to satisfy the requirement stipulated in the directive either by taping or taking a contemporaneous note of relevant conversations.
- 15.4 The Board noted that some pushback had also been received to the proposal to extend the taping requirement to firms undertaking corporate finance business. Various issues had arisen about the scope of this requirement and so the team proposed to undertake further analysis and industry engagement, including meeting relevant trade bodies, before finalising the proposals.
- 15.5 The team informed the Board that it also intended to conduct further analysis, including meeting relevant trade bodies.
- 15.6 After discussion, the Board agreed with the team's recommendations.

## **16 FCA 2017/18 Fees**

- 16.1 The Board noted that the FCA has to consult on the fee rates rules it wishes to implement to raise its 2017/18 Annual Funding Requirement (AFR). The annual fee-rates consultation paper is due to be published alongside the Business Plan in April.
- 16.2 After discussion, the Board approved the fee rates rules for consultation.

## **17 Report from the PRA**

- 17.1 Mr Woods briefed the Board on various matters relating to the PRA. He noted that on 24 February the PRA would be publishing a consultation paper on refining its Pillar 2A capital framework, which was aimed at addressing anomalies in risk-weightings relating to certain asset classes. He also discussed insurance firms' implementation of Solvency II.

## **18 Financial Advice Market Review Progress Report**

- 18.1 The Board was reminded that the Financial Advice Market Review (FAMR) was published as a joint FCA/HM Treasury report in March 2016. The report contained 28 recommendations directed at the FCA, HM Treasury and other bodies and contained a commitment to report on progress to the FCA Board and the Economic Secretary to the Treasury after one year. After discussion with HM Treasury, it was now planned to publish the progress report by the end of March 2017.
- 18.2 It was reported to the Board that progress was on track against all the recommendations in the review and this was reflected in the draft report. The Board discussed some aspects of the review in more detail, including the definitions of advice and guidance and the work of the Financial Advice Working Group (FAWG). The Board also discussed how the various workstreams would continue after publication of the report. The Board noted that the publication of the report would be accompanied by a speech that would give necessary additional context and approved the publication of the report in its final form.

## **19 Lifetime ISA policy statements**

- 19.1 The Board noted that the Lifetime Individual Savings Account (LISA) had been announced by the government in the March 2016 Budget with the intention that it would be available to investors from April 2017. The Board was reminded that the FCA had consulted on its proposed framework for regulating the promotion and distribution of LISAs in CP16/32, published in November 2016, and that the consultation had closed on 25 January 2017.
- 19.2 The Board was informed that, after considering the responses received to the consultation, the team proposed only minor changes to the proposed rules. These amounted to identifying two additional risks in the risk warnings; one relating to eligibility for means-tested state benefits and the other relating to losing the benefit of an employer contribution to a private pension. The Board discussed these proposals and questioned the team about the proposed approach, asking how it differed to the FCA's approach to comparable products.
- 19.3 It was explained to the Board that, in view of the tight timescale and the need for Treasury to lay the relevant regulations before Parliament, it was proposed that the Board should make the relevant rules on 6 March 2017 rather than wait until its next meeting in March. In light of the discussion, the team was requested to provide further details of the approach taken when seeking the Board's consent to make the rules.

## **20 Annual Report and Accounts 2016/17**

- 20.1 The Board received an update on the proposed structure of the Annual Report and Accounts and discussed its contents. After discussion, the Board confirmed that it was content:
- with the governance arrangements for the Annual Report and Accounts;
  - with the proposed structure of the report; and
  - that separate reports be produced for Competition, Enforcement, Anti-Money Laundering and Diversity, in line with those published in respect of 2015/16.
- 20.2 The Board discussed the printing and distribution of the Annual Report and asked the executive to consider whether it would be more appropriate to distribute it primarily in digital form.

## **21 Sourcing Programme - Service Desk and End User Computing contract**

- 21.1 The Board was briefed on the background to the Sourcing Programme and the Service Desk and End User Computing (SD/EUC) contract in particular. It was noted that, following a procurement exercise conducted in accordance with public sector procurement regulations, Computacenter had been selected as the preferred supplier for the SD/EUC contract in November 2016. The terms of the proposed contract had been reviewed by the Audit Committee at its meeting in December.
- 21.2 The Board noted that an Internal Audit review of the process for defining requirements, procuring and contract for SD/EUC services was underway. It was also informed that the Programme was being disaggregated with the component parts being aligned to the relevant business areas such as Security and Maintenance. After further discussion, the Board:
- approved the key terms of the SD/EUC contract and the resultant external spend; and
  - delegated authority to the Chief Operating Officer to sign the contract.

## **22 Building an inclusive culture**

- 22.1 The Board discussed the paper and noted the progress that had been made over the past year in developing the FCA's inclusive culture. This included developing the gender agenda, including signing the Women in Finance Charter, and the Black, Asian and Minority Ethnic (BAME) agenda. The Board noted that targets for female and BAME representation in the senior leadership team had been set.
- 22.2 The Board was informed that achieving the BAME target was likely to be significantly the more challenging of the two and that a different approach would be needed if the objective is to be achieved. The challenges this presented, and the proposed approaches, were discussed.

*Sarah Hogg left the meeting at 3:30 pm*

## **23 Mission Update & Consultation feedback**

- 23.1 The Board was informed that there had been considerable feedback received in response to the consultation on the Mission document, which in general had been very positive. The feedback was currently being analysed prior to finalising the statement. The Board agreed that it would be desirable to ensure the statement was concise, whilst recognising the challenge this involved given the breadth of its scope.
- 23.2 The Board discussed the next steps after publication of the final statement. It was reported that ways of building greater academic involvement were being assessed together with any necessary changes in the ways of working. The importance of anchoring what the FCA does in the public interest, with clear articulation both internally and externally, was emphasised.

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

- 24.1 The Board passed the resolutions set out in Annex B. The Board agreed that it would defer a decision on the making of two rules, "Dispute Resolution: Complaints (Payment Protection Insurance) (amendment No 1) Instrument 2017" and "Dispute Resolution: Complaints (Payment Protection Insurance) (amendment No 2) Instrument 2017".

## **25 Forward Agenda**

- 25.1 The Board noted the forward agenda.

## **26 Any other business**

- 26.1 There being no further business, the meeting closed.

**Simon Pearce**  
Company Secretary

## **ANNEX A: Attendees**

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

Megan Butler	Director, Supervision, Investment, Wholesale & Specialists
Alana Christopher	Deputy Company Secretary
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Nausicaa Delfas	Chief Operating Officer
Sean Martin	General Counsel
Simon Pearce	Company Secretary <i>(23 February 2017 only)</i>
Mark Steward	Director, Enforcement & Market Oversight

### **Attending for the following items:**

2	John Dick	Manager, Analysis & Insight
	Gareth Thomas	Manager, House View Sector Team 1
	Francesca Hopwood Road,	Manager, Analysis & Insight
3	Magnus Falk	Senior Advisor
4	Grahame Tinsley	Manager, PSR Operations
12	David Godfrey	Director, Finance
	Richard Monks	HoD, Strategy Development
14	Alison Barker	HoD, Supervision, Infrastructure & Trading Firms
	Andrew Whyte	Director, Communications
	Simone Ferreira	HoD, Event Supervision
	Nick Holloway	Manager, GCD Investment, Insurance and Redress
	Chris Preston	Manager, Event Supervision - Complex Events 2
	Emma Stranack	HoD, Business & Consumer Communications
15	David Geale	Director, Policy
	Edwin Schooling Latter	HoD, Markets Policy
	Damien Shanahan	Manager, Wholesale Conduct Policy
16	Mark Hunnable	Manager, FIN-Revenue
	David Godfrey	Director, Finance
18	David Geale	Director, Policy
	Graeme McLean	HoD, Banking, Lending & Distribution
	Ed Oxley	Manager, Mortgages
19	Maria-Jose Barbero	Manager, Pensions Accumulation
	David Geale	Director, Policy



20	Stephen Humphreys Alex Nicoll	HoD, Corporate Communications Manager, Financial Accounting/P2P
22	David Godfrey James Anderson	Director, Finance HoD, Business Analysis & Architecture
23	Marcus Adams Jennifer Barrow	HoD, Reward & Performance Manager, Corporate Responsibility
24	Richard Monks Alex Roy	HoD, Strategy Development Manager, Strategy & Competition, Strategy Development

## **ANNEX B: Resolution**

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

Handbook Administration (No 45) Instrument 2017 (FCA 2017/5)

Fees (Miscellaneous Amendments) (No 9) Instrument 2017 (FCA 2017/6)

Disclosure Guidance and Transparency Rules Sourcebook (Delayed Disclosure) Instrument 2017 (FCA 2017/7)

Enforcement (Money Laundering Regulations 2007) Instrument 2017 (FCA 2017/8)

Enforcement (Co-operative and Community Benefit Societies Act 2014) Instrument 2017 (FCA 2017/9)

***The Board of the Financial Conduct Authority hereby approves the making by the board of the Financial Ombudsman Service Ltd of that part of the following instrument that falls within the responsibility of that organisation:***

Handbook Administration (No 45) Instrument (FOS 2017/1)