

## Minutes

Meeting:	FCA Board	
Date of Meeting:	21 and 22 March 2018	
Venue:	25 The North Colonnade, Canary Wharf, London E14 5HS	
Present:	John Griffith-Jones (Chair)	Ruth Kelly
	Andrew Bailey	Jane Platt
	Catherine Bradley	Nick Stace
	Amelia Fletcher	Christopher Woolard
	Bradley Fried	Sarah Hogg
In attendance:	Set out in Annex A	
Apologies:	Ruth Kelly (21 March)	Nick Stace (22 March)
	Sam Woods	

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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 Jane Platt declared that she is Chair of the Board of Trustees of Lifesight, a defined contribution Master Trust, in respect of item 2 on pension transfers.

### 2 Pension Transfers

- 2.1 The Board was reminded that a discussion chapter on pension transfers had been included in a consultation paper on pension reforms in October 2015. A further consultation on the issue (CP17/16) was held between June and September 2017. This also contained discussion questions. Following this consultation, and in light of changes in the pension's landscape, it was proposed that, along with a policy statement, a further consultation paper (CP18/7) should be issued to address points raised by previous consultations and recent supervisory findings. Along with some proposed rule changes, this consultation would seek views on charging models for pension transfer advice, including the risks associated with contingent charging and the implications of prohibiting it.
- 2.2 The Board noted that in CP 17/16 the FCA had consulted on removing the existing guidance that an adviser should start from the assumption that a transfer from a defined benefit scheme will be unsuitable, but had decided not to take this proposal forward. The Board recognised that with the range of choices now available to consumers following the pensions freedoms, there may be circumstances in which a transfer would be suitable. Nevertheless, the Board agreed that it would not be appropriate to replace the starting assumption at this time, given the significant incidences of unsuitable advice seen in

supervisory work and the proposal to ask discussion questions on pension transfer charging in CP18/7.

- 2.3 The Board discussed the link between contingent charging and the starting assumption and suggested it could be made more explicit in communications. It was also important to emphasise that the assumption did not preclude advisors from recommending a transfer if the circumstances of the consumer meant that a transfer was suitable. The Board also felt that any communications should be clear on the point that banning any type of charging is a complex area which could have an impact on the access to advice for those consumers who most needed it.
- 2.4 The Board acknowledged that this was a high-profile issue in the wake of the events concerning the British Steel Pension Scheme and recognised that a lot of supervisory work was already being undertaken to address the drivers of harm.
- 2.5 The Board **approved** the proposal to make rules as set out in PS18/6.

### **3 Report from the Chief Executive**

- 3.1 The Board discussed Mr Bailey's report on developments since the last meeting including:
  - MIFID II Compliance – a letter challenging the implementation and supervision of some of the MiFID II provisions had been received
  - It was noted that the FCA had acted to appoint administrators to take charge of Beaufort Securities Limited and Beaufort Asset Clearing Services Limited following an investigation and close collaboration with the FBI.
- 3.2 The Board **noted** the Chief Executive's report.

### **4 Bank of England Approach to Conflicts of Interest/Code of Conduct update**

- 4.1 The Board was reminded that the Bank of England had published its review of its approach to managing conflicts of interest in August 2017. The Board noted that at its meeting in November 2017 it had received an initial review of the extent to which recommendations in the Bank's report might also be relevant for the FCA. The Board received an update on the further work that had since taken place in this respect. The Board noted the changes to the FCA's arrangements that were now proposed in light of this work and was informed that these would be incorporated within a broader piece of work on the Code of Conduct to align it with the Risk and Compliance Oversight Compliance Framework and work on the FCA values.
- 4.2 The Board welcomed plans to increase the suite of management information for consideration by the Audit Committee, but stressed that accountability remained with the Chair and that the full Board should receive a report on the application of the Code at least annually.
- 4.3 The Board **noted** the draft communications plan, overall progress made since November 2017 and **approved** the following:
  - Adoption of core minimum reporting requirements aligned to those adopted by the Bank of England
  - The proposal to extend the Code of Conduct to make it applicable to contingent workers
  - The job description for the Ethics Officer

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

- 5.1 The Board **approved** the minutes of the FCA Board meeting held on 9 February 2018.
- 5.2 The Board **approved** the minutes of the FCA Board meeting held on 21 & 22 February 2018 subject to an amendment to Minute 19 to reflect the fact that the annual report and accounts are mainly read on line and should therefore be tailored for that audience

## **6 Matters arising**

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

## **7 Draft Minutes**

- 7.1 The Board **noted** the draft minutes from the following meetings:
- External Risk and Strategy Committee (ERSC) held on 9 February 2018
  - Payment Systems Regulator (PSR) Board held on 24 January 2018
  - Oversight Committee held on 20 February 2018

## **8 Updates**

- 8.1 The Board **received** updates from the Chairs of the following meetings:
- Audit Committee held on 7 March 2018
  - PSR Board held on 14 March 2018
  - Remuneration Committee held on 21 March 2018
  - Nominations Committee held on 21 March 2018

## **9 Monthly Report from the Independent Panels**

- 9.1 The Board reviewed and discussed the reports from the Financial Services Consumer Panel, the FCA Practitioner Panel, the FCA Smaller Business Practitioner Panel (SBPP) and the Listings Authority Advisory Panel (LAAP).
- 9.2 The Annex to the Practitioner Panel report setting out suggestions for innovative working was noted and it was agreed that the Panel should be kept informed of work which was planned or already being done in the areas highlighted.
- 9.3 It was queried how engagement is sought from smaller businesses who are users rather than providers of financial services in addition to any liaison with trade associations. It was agreed that this be given further consideration.
- 9.4 The Board **noted** the monthly reports from the Independent Panels.

## **10 Embedding evaluation**

- 10.1 The Board was reminded of the three-tier performance framework set out in the Mission and the commitment to add public value by understanding the effectiveness of interventions used by the organisation.

- 10.2 The organisation had sought to benchmark its approach and identify best practice within other comparable organisations to facilitate continuous improvement. The Board noted that
- incremental improvements had been made to the quarterly performance report to make it more concise, consistent and useful (tier 1)
  - it was planned to increase use of causal analysis to aid understanding of the sequence of events needed to make an intervention reduce harm as intended. This would provide a helpful framework for undertaking evaluations in the future (tier 2)
  - outcome indicators would be used to monitor whether harms prioritised in the sector framework increase or decrease over time and would be published in the Annual Report (tier 3)
- 10.3 It was explained that the decision making framework would be used also to ensure learning and feedback in the future. It was also noted that external factors and unintended consequences would generally be considered in ex-post evaluations.
- 10.4 It was pointed out that the FCA should avoid indicators that create perverse incentives, for example by measuring outputs rather than real outcomes for consumers and markets. Issues like these should be reflected in how indicators are designed and presented, and how indicators are developed for future years. In particular, the Board noted that it would be important to provide context upfront and recognise that external factors influence indicators. The Board also noted the importance of maintaining the data over time, as a rich source of evidence for future analysis.
- 10.5 The Board **noted** the proposals.

## **11 Value For Money Update**

- 11.1 The Board was reminded that the organisational approach to value for money (VFM) was set 18 months ago and was consistent with delivering public value. Since that time work had been undertaken to further develop VFM in the organisation in line with the Mission. It was reported that good progress had been made and that VFM now formed part of everyday language and was being embedded with the help of VFM training course alumni.
- 11.2 The National Audit Office (NAO) had created a VFM team for financial services regulation and would continue to conduct VFM studies looking at the wider regulatory landscape. The Board was also advised that VFM work has now been centralised in the Chief Operating Officer's (COO) Office so there was now clear sponsorship and oversight of VFM within the Operations Division working across the organisation to ensure greater consideration of options and costs to increase efficiency, effectiveness and ensure VFM. The recruitment of a Chief Procurement Officer would also increase the FCA's ability to take a strategic overview of VFM in procurement processes.
- 11.3 The Board discussed how it could receive assurance that these issues were being addressed and it was recommended that estimation of costs and clear outcomes with measures should be included in proposals for all future major work. This would help inform decisions about investment. It was also suggested that current and future programmes be considered in the light of Brexit.
- 11.4 It was acknowledged that some projects would require initial investment which would lead to savings in the medium to long term and this needed to be made clear within the project initiation phase. It was noted that the data strategy and use of IT, including 'the cloud' would create a step change in the way in which the organisation used its staff and functioned more generally.

11.5 Noting the proposals to further embed VFM at the FCA, the Board offered its support and stressed that this work was essential given the increased number of change programmes across the organisation.

11.6 In conclusion the Board **noted** the approach to embedding VFM.

## **12 Asset Management Market Study Remedies – Final Rules and Update**

12.1 The Board was reminded that the Asset Management Market Study (AMMS) had found weak price competition in a number of areas of the market and a significant amount of harm to investors. A package of remedies had been developed to promote increased competition in the interests of investors and to better protect investors from the impact of weak competition. There were also measures proposed to improve the governance of intermediaries. The market study also highlighted the importance of clear disclosure of the costs of asset management services through a single charge as expected under MiFID II and PRIIPs.

12.2 The proposed remedies were consulted on and whilst the vast majority of responses welcomed the proposals and agreed that delivering good outcomes for investors should be at the heart of asset management, concerns were expressed about some of the terminology particularly the use of 'value for money (VFM)'. It was therefore proposed to remove that term from the final rules and make it clearer that consideration should be given to whether the charges are justified in the context of the service and value provided. The Board accepted that the same outcomes could be achieved without express use of the term 'VFM'.

12.3 Assessment of value would need to be published in the fund annual report or other stand-alone report and would provide useful information for Supervision.

12.4 It was also proposed that the new rules will require Authorised Fund Managers (AFMs) to have at least 25% (and a minimum of two) independent Board members to rebalance the current competing interests between fund shareholders and investors.

12.5 The proposed rules would prohibit the retention of risk-free box profits. This means that firms would not be able to retain any profits they earn when dealing as principal in the units of a dual-priced fund without putting their own capital at risk. Some technical changes were made to the rules consulted on as a result of feedback from stakeholders, but the policy intent did not change.

12.6 A new Prescribed Responsibility under the Senior Managers and Certification (SM&CR) to take responsibility for the implementation of the governance remedies was also proposed.

12.7 Changes to the non-Handbook guidance to facilitate share class switching were also proposed.

12.8 The Board was briefed on the content of the second consultation on AMMS remedies, to be published on the same day as the Policy Statement for the remedies above. The second consultation focuses on the provision by fund managers of better information to fund investors, so that investors can choose the right fund for them.

12.9 The Board **agreed** to:

- make final rules requiring fund managers to assess annually whether the charges taken from a fund are justified in the context of the overall value provided by the fund (an 'assessment of value')
- make final rules requiring that independent directors make up at least 25% of an AFM's board (with a minimum of 2 independent directors)

- make rules to prevent fund managers retaining risk-free box profits, and
- publish revised guidance to make it easier for fund managers to convert investors to cheaper share classes where this is in their interests

### 13 PPI Update

- 13.1 The Board was reminded that the primary aim of the first phase of the PPI advertising campaign had been to raise awareness of the 2019 deadline for consumers to submit new PPI complaints. It had worked well, with high recognition of the campaign, increased awareness of the deadline and an increased number of claims.
- 13.2 The second phase would launch on 4 April 2018 and would focus on the different products through which people could have been sold PPI to stimulate conversations, curiosity and engagement. This campaign will feature existing advertising supplemented by one new TV advertisement and new outdoor, radio and social media adverts. Communication around the new launch will also include information about how consumers can check if they had PPI as this was the most popular search on the website and query to the helpline. The Board noted intelligence received on complaint handling practices at firms is assessed and action taken where necessary.
- 13.3 The information on the FCA website about the earlier deadline has been updated and made more prominent and the Board was advised the team would also clarify implications in relation to Plevin complaints.
- 13.4 The Board **noted** the update and requested a further update a year from the launch of the first phase of the campaign.

### 14 2018 FCA Employee Survey Results

- 14.1 The 2018 FCA staff survey had been undertaken by The Great Place to Work Institute for the second time, running from 4 to 19 January 2018. The survey had attracted a record response rate of 84%, a 4% increase on 2017.
- 14.2 The Board was advised of the following headlines:
- Employees think the organisation is moving in the right direction overall;
  - There are noticeable variations in responses regarding line manager and senior leader impact; and
  - The unprecedented level of change is impacting on how employees feel about the organisation.
- 14.3 The focus for 2018 would be :
- To achieve greater consistency of leadership and management;
  - To update the career and pay structure; and
  - To improve signposting of action taken as a result of survey findings.
- 14.4 It was noted that the Directors Group was looking at how to take forward the necessary actions corporately but each division would also develop local plans. The importance of sharing best practice was raised.
- 14.5 The Board **noted** the FCA employee survey results for 2018 and the organisation wide priorities for action.

## **15 FOS Budget and Business Plan 2018/19**

- 15.1 The draft FOS budget and business plan for 2018/19 had been agreed by the Oversight Committee and subsequently consulted on.
- 15.2 The Board discussed the impact of the recently aired Dispatches programme, which had focussed on operational practices at the FOS. Following airing of the programme FOS has agreed to undertake an independent review.
- 15.3 The Board **approved** FOS's budget for 2018/19 and the making of the associated fees instrument.

## **16 Money Advice Service Budget and Business Plan 2018/19**

- 16.1 The Board considered the draft 2018/19 budget and plan for the Money Advice Service (MAS). The Board noted that the MAS had increased the request for debt advice funding from £8m to £10m following the recommendation of the Wyman review. The Oversight Committee had not supported this additional request but suggested that MAS funding should be reviewed subject to demonstration of improved efficiency and effectiveness.
- 16.2 The budget for 2018/19 therefore remains at £83.5m and the MAS has consulted on both the budget and business plan. Responses to the consultation were considered at the February meeting of the Oversight Committee and were largely positive accordingly no substantial changes were required.
- 16.3 The Board **approved** MAS's budget and business plan for 2018/19.

## **17 Cross-Sector Report**

- 17.1 The circulated report set out the notable developments in each sector between July and December 2017. It was noted that last year's annual sector views would be published in April alongside the Business Plan for 2017/18. This year's Sector Views were currently being completed and will be presented to Exco in May and June.
- 17.2 The Board agreed that the report was a useful governance tool to help ensure that the right areas of work were being prioritised and noted:
- each sector's notable developments;
  - how each sector's notable developments affects the FCA (cross-sector) priorities; and
  - priority areas of work to be undertaken.
- 17.3 The Board **approved** the report for internal publication on the FCA hub.

## **18 FCA's Business Plan**

- 18.1 It was noted that the business plan for 2018/19 was 40% shorter than previous versions, was more readable with clearer links to harms and interventions. A digital template was being developed to make it easier to read on line.
- 18.2 The Board urged further clarity on priorities and how these were being managed in relation to Brexit. It was also felt that there could be more made of the relationship with the PSR and the areas where joint work was to be undertaken. Final changes were being addressed and Board members were invited to submit any further comments in writing by the end of 26 March.

18.3 The Board **approved** the 2018/19 Business Plan for publication, subject to any final comments, with delegated authority to the CEO and the Chairman to finalise the documents.

## **19 FCA 2018/19 Fees**

19.1 The consultation on the fee rate for 2018/19 was scheduled to be published on 9 April 2018 alongside the business plan.

19.2 The Board was reminded of the policy for allocating the AFR across fee blocks to maintain an even distribution of the increase other than where there are material exceptions. Allocations by exception for 2018/19 will cover EU withdrawal costs, scope change costs, OPBAS and the new payments department. Proposals will also be made for minimum and flat fees; ring fencing implementation fees; and revision of the Financial Penalty Scheme.

19.3 The Board noted the forecast underspend of £13m for 2017/18 and the options for either taking it to reserves or returning it to fee payers by reducing the 2018/19 AFR. The Board discussed both options and agreed to reduce the AFR by £5m, reducing the AFR increase by 1% to 3.2%.

19.4 It was noted that the consultation would include proposals on raising a Pension Wise funding requirement of £20.3m. This funding is collected by the FCA on behalf of the Department of Work and Pensions (DWP) and it was proposed that the 2018/19 allocations across the pensions guidance fee blocks be the same as for 2017/18.

19.5 Following further discussion the Board **approved**:

- The proposed 2018/19 FCA fees allocations subject to reducing the AFR by £5m;
- The proposed 2018/19 pensions guidance levy to raise funding on behalf of DWP;
- The proposed 2018/19 illegal money lending levy to raise funding on behalf of Treasury

## **20 The FS Register and Certification Directory**

20.1 The Financial Services Register is a public record of financial services firms, individuals and other bodies regulated by the FCA, solely or jointly with the PRA. The data are supplied by firms and the Financial Services and Market Act (FSMA) requires the FCA to publish the Register.

20.2 It was acknowledged that there are some current issues with the Register, some of which are complex, including difficulties in searching the Register, data issues and non-user-friendly language. A lot of work is being undertaken to respond tactically to the issues, however there is also some strategic work required. Tactical improvements to date have included some improvements to search capability and improving data quality in relation to consumer credit firms.

20.3 In terms of the proposed Certification Directory, the Board noted that with the introduction of the Senior Managers and Certification Regime fewer individuals would be approved by the FCA and appear on the Register. Feedback had been received on the value of the FCA maintaining a central public directory of certification employees. In particular stakeholders highlighted the importance of customers being able to verify the identity of financial advisors. This would also help the FCA to monitor and target regulatory interventions.

20.4 It was agreed that any solution would need to be consumer focussed and would be subject to market research and consumer testing. The need to make the language accessible to the public was also noted.



20.5 The Board requested that papers on both the Register and certification directory be taken to the Audit Committee.

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

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

## **22 Decisions of the Board**

22.1 The Board **approved** the following:

- The reappointment of John Penberthy-Smith and Sheila Wheeler as Executive Directors of the MAS Board until June 2019 or the date that the new body goes live, whichever is earlier.
- The revised corporate governance document.

## **23 Minutes of Executive Committee meetings.**

23.1 The Board noted the minutes of the Executive Committee meetings held on 13 December 2017, 5, 12, 17, 29 January 2018.

## **24 Minutes of Executive Regulatory Policy Committee (ERPC) meetings.**

24.1 The Board noted the minutes of the ERPC meetings held on 23, 29 January, 1, 9, 12 February 2018.

## **25 Forward Agenda**

25.1 The Board noted the forward agenda

## **26 Any other business**

26.1 The Board formally thanked John Griffith-Jones for his leadership during his time as Chair of the FCA and wished him the best for the future.

**John Griffith-Jones**  
Chairman

## **ANNEX A: Attendees**

### **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	Director, International
Sean Martin	General Counsel
Simon Pearce	Company Secretary
Georgina Philippou	Chief Operating Officer
Charles Randell	Chair designate
Mark Steward	Director, Enforcement and Market Oversight

### **Also attending for the following items:**

2	Pritheeva Rasaratnam	Head of Department, Pension Policy
	Bianca Garwood	Manager, Pensions Decumulation
10	Alex Roy	Manager, Strategy
	James Shafe	Technical Specialist, Reporting and Performance Measurement
	Fiametta Gordon	Manager, Economics-Retail
11	David Godfrey	Director of Finance
	Vito Capobianco	Manager, Operations
12	Mary Starks	Director, Competition and Economics
	Karen Northey	Manager, Innovate
	Robin Finer	Head of Department, Wholesale & Investments Competition
13	Emma Stranack	Head of Department, Business & Consumer Communications
	Alison Walters	Head of Department, Large Retail Banking 1
	Christopher Preston	Manager, Event Supervision - Complex Events 2
	Jo-Anne Ruggeri	Manager, Contact Centre
14	William Hague	Director, Human Resources
	Marcus Adams	Head of Department, HR-Strategy & Policy

	Paula Pringle	Technical Specialist, HR-Organisational Effectiveness
17	Nisha Arora	Director, MIDA
	Genevieve Marjoribanks	Head of Department, Analysis & Insight
	Gareth Thomas	Manager, House View Sector Team 1
	Jonathan Pearson	Manager, Retail Competition
18	Alex Roy	Manager, Strategy
	Vera Markos	Manager, Prioritisation and Planning
	Stephen Humphries	Head of Department, Corporate Communications
19	David Godfrey	Director of Finance
	Mark Hunnable	Manager, Finance - Revenue
	Peter Cardinali	Technical Specialist, Fees policy
20	Sarah Rapson	Director, Authorisations, Supervision – Retail & Authorisations
	Mike Wells	Head of Department, Approved Persons, Passporting & Mutuels
	Phil Morgan	Manager, BTS - Programme & Project Management
	Alexander Smith	Manager, Governance & Professionalism

## **ANNEX B: Resolution**

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

Handbook Administration (No 48) Instrument 2018 (FCA 2018/8)

Fees (Payment Systems Regulator) Instrument (No 6) 2018 (FCA 2018/9)

Fees (Consumer Financial Education Body Levy) Instrument 2018 (FCA 2018/10)

Fees (Payment Services) (No 4) Instrument 2018 (FCA 2018/11)

Financial Services Compensation Scheme (Management Expenses Levy Limit 2018/2019)  
Instrument 2018 (FCA 2018/12)

Dispute Resolution: Complaints (Politically Exposed Persons and Pensions Ombudsman) Instrument 2018 (FCA 2018/13) (FOS 2018/1)

Fees (Tariff Data for Insurers from 2018/2019) Instrument 2018 (FCA 2018/14) (FOS 2018/2)

Conduct of Business Sourcebook (Pension Transfers) Instrument 2018 (FCA 2018/15)

Retirement Interest-only Mortgages Instrument 2018 (FCA 2018/16)

Collective Investment Schemes Sourcebook (Miscellaneous Amendments) Instrument 2018 (FCA 2018/17) (FCA(18)47)

Collective Investment Schemes Sourcebook (Miscellaneous Amendments) (No 2) Instrument 2018 (FCA 2018/18) (FCA(18)47)

Consumer Credit (Staff Incentives, Remuneration and Performance Management) Instrument 2018 (FCA 2018/19)

***The Board hereby approves the making by the Board of the Financial Ombudsman Service Ltd of the following instruments:***

Dispute Resolution: Complaints (Politically Exposed Persons and Pensions Ombudsman) Instrument 2018 (FOS 2018/1) (FCA 2018/13)

Fees (Tariff Data for Insurers from 2018/2019) Instrument 2018 (FOS 2018/2) (FCA 2018/14)

Fees Manual (Financial Ombudsman Service Case Fees 2018/19) Instrument 2018 (FOS 2018/3) (FCA(18)51)