

Minutes

Meeting: FCA Board

Date of Meeting: 27 June 2019

Venue: 12 Endeavour Square, London, E20 1JN

Present: Charles Randell (Chair) Catherine Bradley
Andrew Bailey Amelia Fletcher (items 1-16)
Sarah Hogg Richard Lloyd
Nick Stace (items 1-15) Christopher Woolard

In attendance: Set out in Annex A

Apologies: Sam Woods

1 Quorum and declarations of interest

1.1 The meeting noted there was a quorum present and proceeded to business.

2 Minutes of the FCA Board

2.1 The Board **approved** the minutes of the FCA Board meeting held on 30 May 2019.

3 Matters arising

- 3.1 The Board **noted** the progress with the matters arising from previous meetings including the closure of an action. The Board asked for an update on progress with designing and implementing the mini-bonds communications strategy to be provided to the July 2019 Board meeting.
- 3.2 The Board noted the update on the strategy to engage the large tech companies such as Google and Facebook to alert them to the risks of the adverts they carry relating to high-risk investment products. The Board asked the Executive Directors to jointly develop a cross cutting strategy on engagement with the large tech companies for the Board to discuss at a future meeting.
- 3.3 The Board discussed the Master Trust paper. The Board asked that a paper be brought to a future meeting and that following that, regular updates be provided on interaction with the FCA Pension Trustee and any other issues.
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4 Report from the Chief Executive

- 4.1 The Board **discussed** the report from Andrew Bailey.
- 4.2 The Board noted the update on Woodford.
- 4.3 The Board noted the update on mini-bonds and the strategic approach being developed to address harms in this area.
- 4.4 The Board asked for a short briefing on the proposed approach to third country branches and subsidiaries in due course.

5 Final Annual Report and Accounts 2018/2019

- 5.1 The Board welcomed the revised report and noted the changes made following the last meeting and the report's subsequent circulation for final comment.
- 5.2 The Board:
 - a. Approved the 2018/19 Annual Report & Accounts for publication in principle.
 - b. Approved the 2018/19 Diversity Report for publication in principle.
 - c. Delegated authority to the CEO and Chairman to finalise the documents.

6 Q4 2018/19 Performance Reporting

- 6.1 The Board noted the performance report and discussed the challenges raised including the continuing uncertainty around EU withdrawal; the shift to greater supervisory focus on smaller firms; and the future of regulation programme.
- 6.2 The Board felt that the strategy discussion needed a greater focus on ways of working, looking at business as usual activity which wasn't covered by the business plan and how the organisation could be flexible in resource allocation to tackle emerging harms. The Board agreed that the QPR should be reviewed once this discussion had taken place.
- 6.3 The Board discussed:
 - a. The content of the FCA run performance report, including reports by division and progress against 2018/19 business plan.

Additionally the Board agreed;
 - b. A separate session to be held in due course with the Board & ExCo on the long term objectives of the QPR, including the proposed approach to Tier 2 reporting, measuring the outcomes of interventions.

7 Enterprise Act Annual Report 2019

- 7.1 The Board **approved** the draft of the report for publication subject to the minor amendments raised by a Board member. The Board noted that the team may need to make minor changes to the report during the week before publication depending on any late sign offs of any Impact Assessments by the RPC. It therefore delegated sign-off for the final report to Christopher Woolard (Executive Director of Strategy & Competition) and Andrew Bailey (Chief Executive Officer).

8 PSR Final Annual Report and Accounts 2018/2019

- 8.1 The Board **received** the PSR Annual Report and Accounts, which had been approved by the PSR Board.

9 Complaints Commissioner's Annual Report

- 9.1 The Board received the report and discussed the areas raised for improvement with Mr Townsend. The Board noted that complaint response times had been affected by the volume of complaints and resource constraints in the complaints team. A number of new permanent and temporary appointments had been made which had improved the time it took for the team to respond.
- 9.2 The Complaints Commissioner commented that it appeared complaints relating to a major investigation were put on hold whilst the investigation took place. He questioned whether there was a tendency to pause complaints handling when they related to a major investigation rather than examining each complaint on its own merits to determine whether any elements could be addressed immediately. FCA staff reassured the Commissioner that all complaints were considered on their own merits and any elements which could be addressed immediately were. Complaints which were deferred in whole or in part due to a pending investigation would be reconsidered at least every 6 months to establish whether they could be dealt with.
- 9.3 The Board agreed that the scrutiny provided by the Complaints Commissioner was a valuable way to improve the FCA's complaints handling and thanked Mr Townsend for his report.

10 FCA response to the Complaints Commissioner's Annual Report

- 10.1 The Board discussed the FCA's proposed response to the Complaints Commissioner's Annual Report. The Board agreed that it addressed the issues raised by the Complaints Commissioner.
- 10.2 The Board discussed the statement in the Commissioner's Annual Report about the Register. The Board noted that there was work underway to improve the Register but asked for the response to be amended to emphasise that improvements were being made to the Register and it is a valuable tool for public protection.
- 10.3 The Board considered the content of the response and agreed that subject to the minor amendments discussed, the paper was appropriate and should be laid in Parliament on 18 July 2019.
- 10.4 The Board discussed the complaints strategy and queried whether the underlying assumptions about complaints volumes were realistic. The Board agreed that resource requirements should be monitored and asked that a short progress report be presented to the Board in October 2019.

11 Access to Travel Insurance

- 11.1 The Board discussed the proposals designed to address issues some customers with severe pre-existing medical conditions (PEMCs) had in accessing travel insurance. These consumers were often in vulnerable circumstances, and the process of finding travel insurance could be both frustrating and overwhelming, and could lead to consumers purchasing inappropriate products, paying too much, or travelling uninsured. The Board welcomed the collaboration proposals as a proportionate response.
- 11.2 The Board asked for clarification of how the proposals would be overseen. It noted that the oversight would arise both from the FCA's activities and also through scrutiny from other

stakeholders including the relevant charities and the Money and Pensions Service (MAPS). The Board asked for a briefing to clarify how the proposals would be supervised.

11.3 The Board agreed:

- To develop a public directory (created and hosted by the MAPS) of specialist providers of travel insurance for people with PEMCs.

Requirements for firms, in certain circumstances, to signpost consumers with PEMCs to the public directory of specialist providers through the introduction of a new rule. The FCA will also consult on new guidance setting out its expectations in respect of firms' existing obligations when selling travel insurance.

- To work with MAPS to create a consumer guide to travel insurance for people with PEMCs.
- Using the FCA's convening powers to bring together charities, consumer organisations, industry and medical screening companies to discuss (with the aim of improving) the journey for consumers by changing the wording used in medical screening questions.

12 Publication of product intervention measures for retail contracts for differences (CFDs) and CFD-like options

12.1 The Board noted that it had agreed to consult on rules to address the harms caused by CFDs and CFD-like options in December 2018. The European Securities and Market Authority (ESMA) temporary product intervention measures restricting the marketing, distribution or sale of CFDs to retail investors were due to expire on 31 July 2019. The proposed final FCA rules would ensure there was no loss of consumer protections.

12.2 The final proposed rules went further than ESMA's as they applied to a wider range of products by including CFD-like options and minor amendments to the rule on how margin is calculated to prevent firms gaming leverage limits. They also went further than ESMA's measures by ensuring the measures were proportionate by setting leverage limits for CFDs referencing certain government bonds to 30:1.

12.3 It noted that the ban on marketing should help to prevent UK consumers purchasing unrestricted CFD-like options but as they were considered to be acceptable products elsewhere, a proportionate approach should be taken.

12.4 The Board **agreed** to:

(i) publish final rules restricting the sale, marketing and distribution of CFDs and CFD-like options to retail consumers that:

- clarify that UK firms can manufacture CFD-like options for sale by intermediaries outside the UK in compliance with local conduct rules;
- clarify that our CFD-like options restrictions do not apply to EEA firms if a UK-based retail client approaches them proactively on a reverse solicitation basis; and
- clarify that UK CFD providers must comply with the national intervention measures of other NCAs for retail clients 'based' in these jurisdictions if their measures are more restrictive (e.g. comply with French rules for consumer based in France if the French rules are tougher than ours).

The Board also **noted** the proposed supervisory strategy for addressing potential harm from changes in the retail CFD sector following the application of final rules.

13 Business Planning 2019/20 – Impact of delayed Brexit on bids

- 13.1 The Board recalled that its decision in February 2019 to fund the data strategy and supervision investment was partly dependent on a transitional period for EU withdrawal being agreed by April 2019. Although this had not occurred, both bids could now be absorbed within the £5m of reserves funding previously agreed. The supervision bid had been revised to provide additional supervision resource to focus on mini-bonds.
- 13.2 The Board noted that the data strategy was a critical element of the organisational transformation programme and agreed that it was important that this progressed without delay.
- 13.3 The Board approved:
- a) The Data Strategy and Supervision investments.
 - b) The release of £5m of funding from reserves towards these investments.

14 Papers for noting

- 14.1 The Board **noted**:
- The minutes of the Audit Committee meeting held 23 May 2019 and 14 June 2019
 - The agenda of the Payment Systems Regulator Board meeting held 11 June 2019
 - The Monthly Panel reports
 - The Annual Panel reports
 - The Fair Pricing Feedback Statement
 - The Crypto derivatives Board paper
 - The update on the Funding Suspicious Activity Reporting and the Bank Account Register

15 Decisions of the Board

Modern Slavery Act Statement 2018/19

- 15.1 The Board **approved**:
- the Modern Slavery Act Statement for financial year ending 31 March 2019

Recommendation for the extension of RDC members' terms

- 15.2 The Board **approved**:
- the extension of the terms of Iraj Amiri and John Callender beyond 31 July 2019, if required, to complete Project Accrington (Individual 2)
 - the extension of the terms of Philip Marsden, Robin Mason and Malcolm Nicholson as members of the RDC for 3 years from 1 August 2019 until 31 July 2022.

Nexus signing delegation

- 15.3 Due to there being no FCA Board in August, the Board **agreed** that the authority to sign-off the contract would be delegated to the Chief Operating Officer, Georgina Philippou. The standard purchase order process would be followed, including Delegation of Financial Authority and sign-off from the relevant areas and the Chief Procurement Officer.

Markets Practitioner Panel Appointment

- 15.4 The Board **approved**:
- the appointment of Rachel Lord as a member of the FCA Markets Practitioner Panel from 1 July 2019 to 30 June 2022

16 Rules and Guidance to be determined

- 16.1 The Board **passed** the resolution set out in Annex B.

17 Papers to be noted

- 17.1 The Minutes of Executive Risk and Policy Committee meetings held on 1, 8, 15, 18 April 2019 and 2 and 9 May 2019 were noted.
- 17.2 The Board noted the forward agenda.

18 Any other business

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

Charles Randell
Chairman

ANNEX A: Attendees

Megan Butler	Director, Supervision – Inv., Wholesale and Specialist
Jonathan Davidson	Director, Supervision, Retail and Authorisations
Nausicaa Delfas	Director, International
Sean Martin	General Counsel
Georgina Philippou	Chief Operating Officer
Simon Pearce	Company Secretary
Berenice Seel	Company Secretarial Assistant
Mark Steward	Director, Enforcement and Market Oversight
Beverley Walker	Acting Deputy Company Secretary

Attending for the following items:

5	David Godfrey	Director, Finance
	Emma Jones	Manager, Prioritisation and Planning
	Tim Parkes	RDC Chair
6	Natasha Oakley	Head of Department, Strategy & Analysis
7	Natasha Oakley	Head of Department, Strategy & Analysis
8	David Godfrey	Director, Finance
	Jane Gosling	Manager, PSR Communications & Operations
9	Antony Townsend	Complaints Commissioner
10	Simon Pearce	Company Secretary
	Dean Harwood	Manager, Complaints

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| 11 | Nisha Arora | Director, Consumer & Retail Policy |
| | Sarah McKenzie | Head of Department, Consumer Strategy & Policy |
| | Edward Oxley | Manager, Mortgages |
| 12 | Edwin Schooling Latter | Director, Markets Policy |
| | Mhairi Jackson | Manager, Wholesale Conduct Policy |
| | Charles Owens | Technical Specialist, Small AM & CFDs |
| 13 | Natasha Oakley | Head of Department, Strategy & Analysis |
| | Nick Cook | Director, Innovation |
| | David Godfrey | Director, Finance |
| | Martin Bellamy | Director, BTS |

Relevant associates were also in attendance

ANNEX B: Resolution

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

1. Conduct of Business (Contracts for Difference) Instrument 2019 (FCA 2019/78)
2. Payments Services and Buy Now Pay Later (Administrative Amendments) Instrument 2019 (FCA 2019/79)
3. Periodic Fees (2019/20) and Other Fees Instrument 2019 (FCA 2019/76)
4. Periodic Fees (2019/20) and Other Fees (EU Exit) Instrument 2019 (FCA 2019/77)