

## Minutes

<b>Meeting:</b>	FCA Board
<b>Date of Meeting:</b>	23 & 24 March 2022
<b>Start time:</b>	09:45
<b>Venue:</b>	Room 01.22 and via Microsoft Teams

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<b>Members Present:</b>	Charles Randell (Chair) Liam Coleman Richard Lloyd Bernadette Conroy Jeannette Lichner	Alice Maynard Nikhil Rathi <sup>1</sup> Tommaso Valletti Sam Woods <sup>2</sup>
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<b>In attendance:</b>	Set out in Annex A
<b>Presenters:</b>	Set out in Annex A
<b>Apologies:</b>	Bernadette Conroy (23 March)

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### 1 Declarations of interest

- 1.1 The meeting noted there was a quorum present and proceeded to business.
- 1.2 No interests were declared in the items to be discussed. However, the Board noted that:
- i. Liam Coleman had previously recused himself from all discussions on Interest Rate Hedging Products (IRHPs) but the Board agreed that the item discussed did not pose any conflicts.
  - ii. Sheree Howard had previously recused herself from all discussions on Interest Rate Hedging Products (IRHPs) but the Board agreed that the discussion did not pose any conflicts.

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<sup>1</sup> absent between 14:00-14:30

<sup>2</sup> attending from 11:50 on 23 March and absent between 12:00-14:00 on 24 March

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## **2 Appointment of Interim FCA Company Secretary**

- 2.1 The Board **approved** the appointment of Miles Bake as Company Secretary of the FCA with immediate effect (23 March 2022).

## **3 IRHP independent review**

- 3.1 The Board was briefed by John Swift QC, the Independent Reviewer for the lessons learned review into the supervisory intervention on Interest Rate Hedging Products (IRHP), accompanied by his team, on the findings of his review.
- 3.2 The Independent Reviewer stated that the FSA's use of a voluntary agreement was an appropriate way to establish the IRHP scheme and to obtain redress for unsuitable sales of IRHPs to eligible customers. However, he also added that the FSA fell below appropriate standards of transparency by not ensuring that the terms of the agreements with the banks could be publicly disclosed without delay; and the exclusion of 'sophisticated' customers should not have been without adequate stakeholder consultation. He added that the FSA ought to have carried out a more intensive investigation of the root causes of the mis-selling of IRHPs before it decided not to pursue enforcement action that could have been pursued in parallel with the Scheme. Finally, he reported that the FCA's oversight of the Scheme during the implementation period had been limited by the narrow functions it reserved to itself and a lack of dedicated resources, noting that there had been scope for more engagement by the Board in providing guidance and oversight before major strategic decisions were taken.
- 3.3 The Board thanked the Independent Reviewer for his findings and recommendations. It was noted that the review showed that the Board of the FSA had been receiving information on some decisions long after the decisions had been made and there were important lessons about executive and Board governance. The Board acknowledged that in 2012 the FSA had been experiencing the splitting of the organisation, considerable external pressures, and a market crisis. The FCA needed to ensure that its own governance continued to support its aim of being a more adaptive, assertive and innovative Regulator.
- 3.4 The Board discussed the FCA's commitment to incorporating the Review's recommendations into the remit of a wider workstream under its transformation programme and how it intended to ensure decisions were made at the appropriate level in the organisation.

## **4 Strategic Analysis: Macro-Economic Scenarios**

- 4.1 The Board was briefed on the findings of the macro-economic analysis undertaken to consider the potential implications of the cost-of-living crisis.
- 4.2 The Board discussed four macro-economic scenarios; it discussed the drivers behind the cost-of-living squeeze and the impact of rising inflation rates and slower economic growth on consumer markets. The Board also considered how the FCA may use macro-economic analysis to proactively identify potential changes in different sectors and how different groups may be affected. It received assurances on the use of the macro-economic scenarios and macro-to-micro analytical framework across the FCA's various strategic work packages

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and the continued engagement with the consumer market using IPSOS and consumer surveys to collect data designed to indicate materialising risks.

- 4.3 The Board was supportive of this piece of work and noted that data generated would be used in support of FCA's three-year strategy and Business Plan. The Board recommended that the external Business Plan communicated the clearly that the FCA's plan might need to change to respond to economic and geopolitical events, but also that there were clear limitations to what the FCA, as opposed to other policymakers, could achieve in mitigating the impact, given its role and remit. The Business Plan should also highlight the need for the industry to focus on resilience in the face of the current economic and geopolitical challenges and the resulting impact on the markets and consumers. The Board welcomed the benefits of the PSR engaging with the FCA on the work being done on payments.

## **5 External Business Plan 2022/23**

- 5.1 The Board was presented with the proposed content for the external Business Plan 2022/23.
- 5.2 The Board discussed the strategic communication approach to publishing the Business Plan to support different consumer groups using various media formats. It also gave feedback and recommendations on the Business Plan narrative and the opportunity to use the introductory scene setting to highlight and remind the audience of the FCA's FSMA obligations and its expectations of regulated firms.
- 5.3 The Board recommended that a review of published documents be conducted to ascertain that FCA statements and commitments remained consistent.
- 5.4 The Board **delegated authority** to the Chair and Chief Executive Officer to approve the final version of the Business Plan for publication.

## **6 Financial Plan and Budget Approval**

- 6.1 The Board was briefed on the proposed three-year financial plan including divisional and work package budget allocation.
- 6.2 The Board discussed the communications strategy for the financial plan and the process of budget sign-off. It considered the benefits of a focus on efficiency savings envisaged by the plan, explicitly highlighting the need to use reserves if savings did not materialise.
- 6.3 The Board discussed the importance of strong financial discipline with a gating approach which ensured that funds were only released for work that was properly scoped and ready to be delivered, and the need to focus on accountability of Executive Directors and Directors in this process. This should contribute to the desired step change in performance reporting and rigour in operational delivery expected by the Board.
- 6.4 The Board **approved** the three-year financial plan including the divisional and work package budget allocation.

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- 6.5 The Board **agreed** to the FCA's efficiency savings target of £15 million subject to further review on possibility of increase and that the Executive Committee should convene by May to agree divisional allocations and specific cost savings initiatives.
- 6.6 The Board **approved** holding reserves above the range of 6-10% of the Annual Funding Rate.

## **7 Report from the Chief Executive**

- 7.1 Mr Rathi briefed the Board on several topical issues, including:
- i. Russia – Ukraine geopolitical crisis: The Board was briefed on the active role the FCA was taking in collaboration with its financial crime prevention partners concerning the financial sanctions being imposed on Russia and that over 10,000 firms and professional body supervisors had been contacted regarding our controls and reporting expectations. There had been a degree of operational challenge due to the redeployment of resources and reprioritisation exercises, which were continuing to manage the impact on the FCA's commitments to other projects. The Board recommended that consideration be given to consequent financial inclusion policies which might be needed to support refugees needing to set up small value accounts to receive financial support or send money to their dependants.
  - ii. Scams and Fraud: The Board was informed that the Government had now confirmed that the Online Safety Bill would include both fraud as an offence and a standalone duty requiring platforms to tackle fraudulent advertising, following continuing positive engagement. It was noted that Scams continued to be the largest driver of calls to the FCA and amounted for 40% of the volume of calls received. The Board sought assurances that information and complaints received via the call centre were adequately triaged and actioned.
  - iii. Residual EU Withdrawal risks: The Board was advised on the focus to maintain consumer access to cross-border payments through SEPA as the Temporary Transitional Power was due to expire on 31 March 2022.
  - iv. Funeral Plans: The Board was informed that two funeral plan providers had withdrawn their applications for authorisation and that one of the firms, Safe Hands, had gone into administration. Dignity, another funeral plan provider, had stepped in to temporarily cover services. The Board was informed of continuing industry engagement to support the sector's transition into FCA regulation and the communications strategy to support the transition period.
  - v. Upcoming instruments: The Board was supportive of having foresight of upcoming instruments and noted that it would be helpful to indicate what instruments were a result of Government-led initiatives.
- 7.2 The Board recognised that Megan Butler would be leaving the FCA and commended her for all her contributions to the former FSA and the FCA. It recognised the significant role she had played in support of the FCA's transformation programme and wished her well in her future endeavours.

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## 8 Report from the PRA

- 8.1 Mr Woods briefed the Board on the business of the PRA that was of relevance to the FCA.

## 9 Final rules on Diversity and Inclusion on company boards and executive management

- 9.1 The Board was briefed on the proposed final changes to the FCA's Listing Rules on diversity and inclusion, following the consultation on diversity and inclusion on company boards and executive committees (CP21/24). Feedback to the consultation was also discussed by the Board in January 2022.
- 9.2 The Board discussed how the proposed changes may affect the compliance of overseas companies and UK companies with overseas operations, in view of local law restrictions on data privacy and processing. The Board received assurances that the changes being proposed, alongside the flexibility in the nature of the disclosure requirements, should mitigate concerns about whether these companies can meet mandatory reporting requirements. The Board noted that the 'comply or explain' nature of the disclosure requirements served to encourage best practice.
- 9.3 The Board considered the responses from engagement with external stakeholders and noted that majority of financial markets participants expressed support for the proposals, the Board having discussed previously the responses from others on the issue of using sex or gender identity for reporting on targets for women's representation. The Board was also informed about the general support for the proposed changes by investor groups. The Board was also informed of further policy and legal analysis undertaken to consider [impacts under the FCA's Equality Act duties] following the initial assessment for the consultation proposals. The Board noted its internal policies on diversity focused on self-identification of gender, and the Board was also informed of engagement with staff network groups.
- 9.4 The Board **approved** the publication of the Diversity and Inclusion Policy Statement alongside the final rules.
- 9.5 The Board **decided** that companies with UK-listed equity shares and companies with UK-listed certificates representing equity shares be required to make an annual public disclosure against board diversity targets on a 'comply or explain' basis, subject to changes to provide flexibility in reporting based on sex or self-identified gender and a minor change to the language on ethnicity.
- 9.6 The Board **decided** that companies with UK-listed equity shares and companies with UK-listed certificates representing equity shares be required to make an accompanying disclosure of tables setting out the numbers and proportion of appointees on the board, senior board positions and in the company's executive management level by reference to ethnic background and either sex or gender identity.
- 9.7 The Board **approved** the amendment of our corporate governance rule in DTR 7.2.8A R as consulted on to encourage wider diversity considerations in board policies and to extend disclosures to cover the diversity policies of key board committees, as well as approve related guidance to encourage disclosure of connected data.

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## **10 Request to Establish the new Executive Finance and Delivery Committee (EFDC)**

- 10.1 The Board was briefed on the proposal to establish the Executive Finance and Delivery Committee (EFDC) as part of the changes to the FCA's decision-making framework under its Transformation Programme.
- 10.2 The Board noted how the EFDC would support the new approach to business planning by overseeing the delivery of outcomes prioritised by the Board and Executive and controlling the allocation of funding and resources. The Board received assurances about the role of the Executive Committee in reviewing reports from EFDC, identifying issues that require its attention, and providing EFDC, project and work package team with clear decisions and strategic input.
- 10.3 The Board **approved** the establishment of the EFDC on 1 April 2022 and to the proposed remit, membership and delegated financial authority of the new committee.
- 10.4 The Board **approved** the Executive Operations Committee (EOC) be disbanded on 1 April 2022.
- 10.5 The Board **approved** the amendment to the Delegation of Financial Authority (DOFA).

## **11 Monthly Reports from the Independent Panels**

- 11.1 The Board reviewed the reports from the Chairs of the Financial Services Consumer Panel, the Practitioner Panel, the Listing Authority Advisory panel, the Markets Practitioner Panel and the Smaller Business Practitioner Panel and discussed some of the issues raised in the reports including:
- i. Professional Indemnity Insurance (PII) Cover
  - ii. Russia - Ukraine geopolitical crisis
  - iii. High risk investments regulatory strategy
  - iv. Whistleblowing

## **12 Update on Single View initiative**

- 12.1 The Board was presented with a demonstration of the Single View Initiative, an initiative to gather in dashboard form the key information about firms so that decisions and actions could be faster and better informed.
- 12.2 The Board discussed how Single View would be used to access key information on firms across the FCA and provide risk indicators against key metrics highlighting areas of concern and the ability to cross reference data relative to peer firms. The Board was informed that findings from the piloting phase showed a reduction in triaging time and how the Single View highlighted potential harms requiring investigation and supervision. The Board noted the role of the Single View towards automation of some case work and observed that it was a delivery against the Gloster report recommendations.

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12.3 The Board discussed the processes in place to support the embedding of the use of Single View across the FCA and the measures being developed to track successful outcomes. The Board was informed how the data collection process worked and the proactive approach being undertaken to close data gaps and the feedback on how Single View had improved operational efficiency of frontline teams.

12.4 The Board was supportive of the Single View initiative.

### **13 FCA Pension Plan - Master Trust Business Plan**

13.1 The Board was briefed on the proposed Master Trust Business Plan for the Master Trust, continuity strategy assumptions and financial sustainability calculations covering a five-year forecast.

13.2 The Board discussed the engagement of the FCA with the Pension Regulator. The Board received assurances that all legal requirements had been met and the Pensions Team had been building a working relationship with the new supervisor at the Pensions Regulator.

13.3 The Board **approved** the Master Trust Business Plan and delegated authority to Emily Shepperd, Sonia Minards and Joe Genova to approve any final changes agreed with the Trustee prior to its submission to the Pensions Regulator.

### **14 FCA Fees 2022/23**

14.1 The Board was presented with the proposals for consultation on the 2022/23 FCA Fees.

14.2 The Board gave its steer on the overarching structure of the annual fee consultation proposals and noted that the inflation rate and consequent figures would be amended prior to publication. Discussion also included the impact of the expansion of the FCA's remit and consequent regulatory responsibilities due to Future Regulatory Framework, EU Withdrawal related work and new sectors. The Board called for clear communication on the reason for the changes to the annual funding requirement.

14.3 The Board noted that there was a need for the development of policy on how the FCA would handle future scope change projects and newly regulated sectors so that costs were equitably distributed, noting that there were cases where the firms within a particular newly regulated sector were not sufficiently substantial to bear all the costs of setting up the systems to regulate the sector.

14.4 The Board **approved** the following for consultation:

i. The proposed 2022/23 FCA variable periodic fees be modelled based on the increase in our annual funding requirement (AFR), modified for the AFR allocations of some individual fee-blocks to take account of scope change, new responsibilities, and the transformation programme and consumer harm campaign costs.

ii. The application of the inflation rate at the time of consultation to the Ongoing Regulatory Activities (ORA) budget.

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- iii. Include within ORA the 1.25% increase to employers National Insurance contributions.
  - iv. Spread the recovery of the £8m Crypto-asset scope change costs across all fee-blocks subject to the Money Laundering Regulations (MLRs).
  - v. Increase minimum and flat rate fees in line with the increase in the ORA budget, including minimum fees for credit unions and friendly societies.
  - vi. Set the minimum fee for the new Crypto-asset fee-block at £2,000 as proposed in consultation in November 2020.
  - vii. Revocation of the extension of payment terms to 90 days for small to medium fee-payers introduced in 2020/21 in response to the pandemic and return to the standard payment terms of 30 days.

## **15 Redress for former British Steel Pension Scheme (BSPS) members**

- 15.1 The Board was briefed on the proposals to consult on a redress scheme under S.404 for former British Steel Pension Scheme (BSPS) members.
- 15.2 The Board discussed the phased approach to executing the redress scheme and the delivery responsibilities between the FCA, FSCS and FOS. The Board discussed the scope of the redress scheme and how consumers who do not fall within its proposed scope will be supported.
- 15.3 It also discussed the FCA's proactive approach, including using its 'Dear CEO' letters to remind firms of their obligations, to ensure that firms maintain adequate financial resources and assets for the potential redress scheme.
- 15.4 The Board discussed the pre-consultation engagement exercise with key stakeholders in support of the proposed consultation. The Board received assurances of the continued engagement with the steelworkers and their representatives, statutory panels, FSCS and the FOS. The Board gave its steer on the communication strategy and asked that there be clarity and transparency on the FCA's expectations of firms and detailed communication on what complainants may expect of the redress scheme.
- 15.5 The Board **agreed** to the publication of the consultation on the proposed BSPS redress scheme subject to delegated authority for the final signoff given to the Chief Executive.

## **16 PRIIPs – Proposed scope rules and amendments to regulatory technical standards**

- 16.1 The Board was briefed on the findings of the consultation on the Packaged Retail and Insurance-based Investments Products (PRIIPs) regulation.
- 16.2 The Board discussed some of the responses to the proposed changes to the PRIIPS regulatory technical standards intended to remedy some aspects of the PRIIPS regime. The



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Board was informed that the performance information requirement had been the most problematic rule as it failed to provide a methodology that would fit the diverse range of products and that this would be replaced by the requirement for firms to display a narrative text in the Key Information Document.

16.3 The Board **approved** the making of the final rules and amendments to the PRIIPs regulatory technical standards.

## **17 Rules and Guidance and Technical Standards to be determined**

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

- i. Listing Rules and Disclosure Guidance and Transparency Rules (Diversity and Inclusion) Instrument 2022
- ii. Packaged Retail and Insurance-based Investment Products (Scope Rules and Technical Standards) Instrument 2022
- iii. Fees Manual (Financial Ombudsman Service Case Fees 2022/2023) Instrument 2022
- iv. Fees (Miscellaneous Amendments) (No 17) Instrument 2022
- v. Financial Services Compensation Scheme (Management Expenses Levy Limit 2022/2023) Instrument 2022
- vi. Handbook Administration (No 59) Instrument 2022

## **18 Decisions of the Board/Board committee**

18.1 The Board **approved** the minutes of the meetings held on 18 February 2022, 25 February 2022 and 7 March 2022, subjects to amendments to the 18 February minutes.

18.2 The noted the action log.

18.3 The Board **approved:**

- i. The Pension Plan IAS 19 assumptions as advised by Willis Towers Watson (WTW), with estimates based on 31 December 2021 market condition.
- ii. The Annual Asset Useful Life & Impairment Review as of 30 September 2021 for both intangible and tangible assets resulting in an overall impact on the income statement of £1.1m credit through a reduction in amortisation in this financial year.
- iii. The FCA's intention to continue to guarantee the Complaints Commissioner (OCC) funding.

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- 18.4 The Board **approved** FOS's final budget for 2021/22, and, in doing so, approve the instrument FOS 2022/X amending scheme rules (case fees for the Compulsory Jurisdiction) and varying standard terms (case fees and annual levy for the Voluntary Jurisdiction).
- 18.5 The Board approved the reappointment of Caroline Rainbird as FSCS Chief Executive and Richard Parkin as FSCS NED, each for a further three-year term.
- 18.6 The Board **approved** the following Panel appointments:
- i. Clare Woodman as Deputy Chair of the FCA Markets Practitioner Panel from 1 April 2022 to 31 January 2024
  - ii. Reappointment of Julie Page as a member of the FCA Practitioner Panel from 1 April 2022 to 31 March 2025
  - iii. Reappointment of Steve Treloar as a member of the FCA Practitioner Panel from 1 April 2022 to 31 March 2025
  - iv. Reappointment of Christopher Hill as a member of the FCA Practitioner Panel from 1 May 2022 to 30 April 2022
- 18.7 The Board **decided** that the FCA should defend the application for permission for judicial review and, if permission is granted, the judicial review itself (the Claim) brought by the All-Party Parliamentary Group on Fair Business Banking (APPG). The Board further noted the paper proposed internal governance processes; the Board approved these but requested that the Chair and the CEO should continue to be engaged on significant decisions.

## **19 Reports from the Chairs of Board Committees**

- 19.1 The Board noted the report from the Chair of the Remuneration Committee meeting held on 23 February 2022.
- 19.2 The Board noted the verbal update from the Chair of the Audit Committee
- 19.3 The Board noted the verbal update from the Chair of the Risk Committee

## **20 Papers for noting**

- i. The Board noted the paper on the FPC interest-rate stress test Recommendation and mortgage rules

There being no further business the meeting closed.

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## Annex A: Attendees, presenters and observers

### In attendance:

Megan Butler – Executive Director, Transformation  
Sheree Howard – Executive Director, Risk and Compliance Oversight  
Sheldon Mills – Executive Director, Consumers and Competition (attended for item 15)  
Sarah Pritchard – Executive Director, Markets (absent between 12:00-14:00 on 24 March)  
Jessica Rusu – Executive Director, Chief Data, Information and Intelligence Officer  
Emily Shepperd – Executive Director, Authorisations  
Mark Steward – Executive Director, Enforcement and Market Oversight  
Miles Bake – Director, Company Secretary  
Aidene Walsh – Interim Chair, PSR  
Stephen Braviner Roman – Interim Director, General Counsel  
Graeme McLean – Director, CEO Office  
Ian Runacres – Manager, Chairman’s Office

### Presenters and observers:

<b>Item 1 - Declarations of interest</b>	No attendees
<b>Item 2 - Appointment of Interim FCA Company Secretary</b>	No attendees
<b>Item 3 - IRHP independent review</b>	John Swift QC - Monckton Nikolaus Grubeck - Monckton David Capps - Ashurst
<b>Item 4 - Strategic Analysis: Macro-Economic Scenarios</b>	Kate Collyer – Director, Consumers & Competition Graeme Reynolds – Head of Department, Strategy & Competition Chris Gee – Manager, Strategy & Competition
<b>Item 5 - External Business Plan 2022/23</b>	Kate Collyer - Director, Consumers & Competition Jaz Sansoye – Head of Department, Strategy & Competition Graeme Reynolds - Head of Department, Strategy & Competition
<b>Item 6 – Final Plan and Budget Approval</b>	Sonia Minards – Director, Operations Jane Cowland – Manager, Finance
<b>Item 9 - Final rules on Diversity and Inclusion on company boards and executive management</b>	Sacha Sadan – Director, Environmental Social and Governance Helen Boyd – Head of Department, Markets Policy Adam Wreglesworth – Manager, Markets Policy
<b>Item 10 - Request to Establish the new Executive Finance and Delivery Committee (EFDC)</b>	Sonia Minards – Director, Operations Deborah Jones – Director, Transformation Greg Sachrajda – Head of Department, Transformation
<b>Item 12 - Update on Single View initiative</b>	Alex Atkinson – Technical Specialist, Data Governance Julia Tennant – Manager, Retail Lending Jonathan Bundy – Technical Specialist, Central Data Services

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	Jonathan Phelan – Head of Department, Retail Lending
<b>Item 13 - FCA Pension Plan - Master Trust Business Plan</b>	Joe Genova – Head of Department, Finance Richard Moody – Technical Specialist, Finance
<b>Item 14 - FCA Fees 2022/23</b>	Joe Genova - Head of Department, Finance Sonia Minards - Director, Operations
<b>Item 15 - Redress for former British Steel Pension Scheme (BSPS) members</b>	Therese Chambers – Director, Consumer Investments Nick McGruer – Head of Department, Investments, Intermediaries and Scams Jonathan Pearson – Manager, Consumer and Retail Policy Graeme Reynolds – Head of Department, Chief Economist's Department
<b>Item 16 - PRIIPs – Proposed scope rules and amendments to regulatory technical standards</b>	Kate Hinchy – Manager, Consumer Distribution Nike Trost – Head of Department, Markets and Wholesale Policy

Other relevant attendees were also present.