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*This paper will be published*

**Chief Executive's Report**

**Purpose**

- 1 This report provides an update to the Board on our priorities and any key developments that it needs to be aware of. It also provides information on important external developments and our engagement activity with key stakeholders.

**Recommendations**

- 2 The Board is asked to:
  - a) consider the Chief Executive's report
  - b) make the SRA Regulatory Arrangements (Police Station Representative Accreditation Scheme) (Amendment) Regulations [2023] at annex 1 (please see paragraphs 12 – 14).

**If you have any questions about this paper please contact: Paul Philip, Chief Executive, [paul.philip@sra.org.uk](mailto:paul.philip@sra.org.uk), 0121 329 6940.**

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## **Chief Executive's Report**

### **Update against priorities / key developments**

#### ***Anti-Money Laundering (AML) update***

- 3 We have received the findings from our Office for Professional Body Anti-Money Laundering Supervision (OPBAS) inspection that took place in autumn 2022. OPBAS assessed our risk-based approach, information sharing and enforcement, and the findings were positive. We have a plan in place to provide OPBAS with information on the ongoing projects it has asked to be kept updated on, for example the review of our new risk model. We have also made small changes to strengthen our information sharing process with other supervisors.
- 4 We are continuing our proactive programme of work in relation to financial sanctions with a project to assess firms' risk of breaching financial sanctions legislation and to provide guidance on systems and controls where necessary. We have previously carried out a thematic review to understand risk and firms' controls. We also undertook a spot check of firms with exposure to the Russian market to screen their clients against the Russian sanctions list. We are now planning an exercise to gather information about firms outside of scope of the money laundering regulations to better understand their risk profile and approach to sanctions risks. We will also undertake inspections and desk-based reviews of firms offering services to designated persons. If we identify potential breaches of financial sanctions, we will notify the Office of Financial Sanctions Implementation (OFSI) and open an investigation.
- 5 We will undertake this work for the rest of the financial year within the existing budget. However, moving forward, we need to understand the resource commitments and the potential impact it could have on our AML work. This will be included as part of upcoming discussions with the Board on our budget.
- 6 HM Treasury's plans to consult on the future of AML supervision is in the public domain. The consultation is likely to consider whether to enhance OPBAS' powers; to amalgamate professional body supervision so that there is a single legal regulator either in England and Wales or the UK; or remove professional body AML supervision entirely. We expect this consultation to take place this year.
- 7 I am due to attend the next Economic Crime Strategy Group Chaired by the Home Secretary on 27 March 2023.

#### ***Conduct in Disputes***

- 8 Last month, we published our [thematic review on Conducts in Disputes](#) which supports our ongoing work in relation to strategic litigation against public participation (SLAPPs). The report highlights our expectations that firms do more to ensure that all litigation is conducted appropriately and the importance of

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reporting any potential issues of misconduct. The report has received significant press attention both nationally and internationally, as well as in the trade press. I also wrote a piece for The Lawyer setting out our concerns.

- 9 In January Juliet Oliver and I provided [oral evidence](#) to the House of Lords Communications and Digital Committee as part of a one-off session on lawfare and free speech, with a particular focus on SLAPPs. The session was a follow up to an initial session on the same topic held by the Committee in March 2022.
- 10 The Committee has [since called for further action on SLAPPs](#), including proposals to increase our fining powers, extend the scope of money laundering regulations and a look into the use of law firms relationships with third parties. I have since [written to the committee](#) to provide further detail on their questions following the session.
- 11 At the Committee and in subsequent media coverage there was some interest in whether AML checks were required for litigation clients. While checks are required for other services, litigation falls outside of legislation, which means that Solicitors are not required to do due diligence on clients for litigation services.

***Police Station Representative Scheme consultation***

- 12 The Police Station Representative Accreditation Scheme (PSRAS) is a compulsory qualification for solicitors and non-solicitors who provide legal advice at the police station on a legal aided basis. We set the standards for the assessment and authorise two organisations who administer the assessment on our behalf. We recently consulted on minor revisions to improve the delivery and assessment of the PSRAS. We proposed:
  - updating the content of the standards used to assess the competence of individuals
  - introducing assessment guidelines to clarify to assessment organisations and candidates how the assessment should be structured, delivered and marked
  - enhancing our oversight of the PSRAS by introducing regulations which outline the requirements of our authorisation, and what action we may take if the assessment is not delivered in line with our assessment guidelines or standards.
- 13 There was broad support for our proposals which we will now implement. We will publish our consultation response and the updated assessment standards and guidelines in Spring 2023.
- 14 To enable us to enhance our oversight of the scheme, the Board is asked to make the regulations attached at annex 1. Once the regulations are made, we will forward the application to the Legal Services Board for its approval.

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**Recommendation: The Board is asked to make the SRA Regulatory Arrangements (Police Station Representative Accreditation Scheme) (Amendment) Regulations [2023] at annex 1.**

***Solicitor Apprenticeship Standard***

- 15 We are working with the Institute for Apprenticeships and Technical Education (IfATE) and the solicitor apprentices Trailblazer Group to update the Solicitor Apprenticeship Standard. There is no change to the competences required of solicitor apprentices, or the assessment plan (apprentices are required to pass the Solicitors Qualifying Examination); the changes are presentational to bring the standard in line with IfATE's new format. In line with IfATE's procedure, we will consult on the standard in its new format during late March/early April.

***New fining framework – default salaries***

- 16 At the 31 January 2023 Board meeting, in discussions about our new fining framework, we said we would look into fining levels for individuals who did not provide information about their previous year's income. Under our new framework, where an adjudicator decides that a financial penalty is the appropriate sanction in a case involving an individual, they will use evidence of that individual's gross income to calculate the basic level of the penalty. If an individual refuses to provide us with evidence of their gross income, the misconduct will be moved to the next highest band of seriousness in our published fining table. We will then assign a default salary to the individual.
- 17 We will publish default salary positions before the new fining framework is implemented in May 2023. These will be based on the best available market data, drawn from multiple recruitment companies with specialist legal sector experience. This data provides salary bands, distinguishing between private sector, public sector and in-house. The bands also distinguish between London and other regions and between different levels of seniority.
- 18 We will set the default salary position at the top of the relevant band, as opposed to an average salary position. This is to avoid disincentivising individuals with above average income from providing us with evidence of their salary and to make sure that there is never a benefit to refusing to provide us with information we have requested. The default salaries will be reviewed and amended on an annual basis.

***Solicitors Indemnity Fund (SIF)***

- 19 Following approval of the rules, we are continuing to progress our work in line with the plan provided at the 31 January 2023 Board meeting. Key actions taken have included: publishing the Board's decision and the revised rules, and the appointment of specialist insurance advisers.

**CLASSIFICATION – PUBLIC*****Keeping of the Roll***

- 20 The re-introduction of Keeping of the Roll is planned for Spring 2023. Until 2014, all solicitors without practising certificates were required to complete an application each year and pay an administration fee if they wished to remain on the roll. The re-introduction follows extensive consultation with the sector during 2022.
- 21 Our preparation work continues. We have been undertaking an extensive data cleansing exercise and developing systems capability to support the exercise for both this year and subsequent annual renewals. Communications are in progress to approximately 60,000 users to launch and support the exercise, which includes e-mails, letters, press and social media. The exercise will run for eight weeks and during that time, users will be asked to elect to stay on the roll, pay a £20 administrative fee to cover our costs and update their personal details. Following the close of the exercise, there will be an appeal period, as required under the regulations and before any users are removed from the roll.

***Equality, Diversity and Inclusion (EDI) research***

- 22 We are continuing to progress our two pieces of research in relation to EDI. The first is our project looking at the attainment gap for minority ethnic candidates in professional services qualifications and the second piece of research examines the overrepresentation of Black, Asian and minority ethnic backgrounds in reports made to us about solicitors and in our enforcement processes.
- 23 We have received draft literature reviews for both of these flagship projects, which will help to shape the next phases of research. We will invite Board members to an informal briefing ahead of publication of the reviews.

***Risk Outlook publications***

- 24 We have published the latest [report](#) in our Risk Outlook series, which looks at cryptocurrencies and other distributed ledger technologies, and how they might impact the legal services sector. The paper looks at the risks and opportunities presented by developing crypto technologies. To coincide with the publication of the paper, I wrote a thought leadership piece that was published in The Times on the potential significant impacts of such technologies on the legal sector.

***Professional Indemnity Insurance (PII)***

- 25 We have just completed the December round of PII renewals and there do not appear to be any significant issues with firms being able to obtain PII cover. The number of firms entering the Extended Policy Period (EPP) has been similar to previous years. The firms that do enter the EPP or decide to close because of PII costs tend to be smaller and have either found the level of premiums too high or fee income too low to be offered cover. There has been a noticeable trend of firms amalgamating in order to spread the cost of cover.

**CLASSIFICATION – PUBLIC*****SRA Law Society (TLS) collaborative working protocol***

- 26 There are three areas listed in the protocol that we have agreed to work collaboratively with TLS on in particular: technology, AML and EDI.
- 27 TLS is one of our partners in our Regulator Pioneer Fund project around technology to support alternative dispute resolution which will formally begin in September when we receive our funding. We are undertaking preparation work with the Society and have scheduled a first workshop next month, along with our other partner, the Access to Justice Foundation.
- 28 We continue to liaise with TLS on financial crime issues, in particular the Economic Crime and Corporate Transparency bill, economic crime plan and potential changes to financial sanctions requirements. Members of our AML team recently spoke at the Law Society's AML Taskforce meeting. The Director of AML will speak on the topic of 'AML and current challenges – are you prepared' at The Law Society Risk and Compliance conference on 17 March 2023.
- 29 Our collaborative work with the Law Society on social mobility was welcomed by the Social Mobility Taskforce, with case studies included in the final report [Breaking the Class Barrier](#) highlighting the benefits of our collaboration and referring to our approach as 'gold standard'. We spoke about our collaborative approach to data collection at the launch of the report.

***Distinct legal entity – outstanding matters***

- 30 At the last meeting, the Board asked us to consider whether there were any matters not yet fully resolved following our establishment as a distinct legal entity from TLS. There are a small number of matters that do still need to be resolved and these are currently under review.

***Stonewall Workplace Equality Index***

- 31 Our work to promote LGBTQ+ inclusion in the profession and within our workplace has been recognised - we have been placed 25th in Stonewall's Top 100 Employers Index. We have learnt a lot from the Workplace Equality Index benchmarking exercise since the result of our first application when we ranked 241st. Since then, we have risen up the Index each year, joining the Top 100 list for the first time in 2020 (coming in at 95th).

***End of year awards***

- 32 We held our annual staff awards ceremony in February. This was a virtual ceremony again this year with more than 300 staff attending the event. Staff nominated each other for awards in three categories: unsung hero, innovation and improvement and community contribution. It was a great opportunity to recognise staff for their contributions over the year and it was clear from the feedback that those who attended enjoyed and welcomed the event.

**SRA BOARD**  
14 March 2023



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**External Developments and Engagement Activity**

***Legal Services Board***

- 33 On 5 December 2022 the LSB launched a [consultation](#) on its [draft Business Plan and Budget 2023/24](#). It covers the third year of the LSB’s Reshaping Legal Services strategy. The plan sets out the areas where the LSB is continuing with work already in progress, as well as highlighting new workstreams and planned research. We responded to the consultation, in which we noted areas for collaboration and alignment with our own work. It is an ambitious programme of work and in our response, we highlighted the potential impact on frontline regulators and the need to prioritise activities that hold the greatest potential for positive impact.
- 34 In January 2023, the LSB published its [2022 Regulatory Performance Assessment Report](#), which we circulated to the Board. Under its new rating system, the LSB has rated us as ‘Sufficient’ (the top rating) for four of the five standards (well-led, regulatory approach, authorisation and supervision) and ‘Partial’ for the enforcement standard.

***Stakeholder engagement and public affairs***

- 35 I met Janet Daby MP, a member of the Justice Committee. Anna Bradley and I met Labour Shadow Attorney General, Emily Thornberry MP, as a follow-up to discussions at the London Labour conference in January. We also met Mike Freer MP, Parliamentary Under-Secretary of State for Justice.
- 36 On 6 February 2023, we hosted an event to formally mark the opening of our new Cardiff office which I attended as did Anna Bradley and Nicola Williams from the Board. Other attendees included Mick Antoniw MS (Member of the Senedd), Counsel General for Wales and stakeholders from the legal sector and beyond. We met Mick Antoniw MS beforehand, with key areas of discussion including progress on the Solicitors Qualifying Examination in Welsh and updating our assessment specifications to make it clear to candidates our expectations relating to Welsh law.
- 37 We have also had our regular quarterly meetings with the City of London Law Society and Sole Practitioners Group. I also presented to the Institute of Legal Finance and Management at the annual Awards Ceremony Luncheon in London.

**Author** Paul Philip, Chief Executive

**Date** 7 March 2023

**Annexes**

**Annex 1** **SRA Regulatory Arrangements (Police Station Representative Accreditation Scheme) (Amendment) Regulations [2023]**