

SRA BOARD

6 June 2023

CLASSIFICATION – PUBLIC



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 new rules on minor amendments to the SRA Standards and Regulations as outlined at annex 2 (paragraphs 20 to 21)

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

Chief Executive's Report

Update against priorities / key developments

Anti-Money Laundering (AML) update

- 3 The Office for Professional Body AML Supervision (OPBAS) published its annual report on 28 April 2023. The report covers the nine professional body supervisors that OPBAS assessed during 2022/23. OPBAS' methodology was to assess supervisors on areas where they had concerns, and as such the report focuses on areas for improvement rather than good practice. The report states that there are still significant weaknesses in some supervisors' work. The report is anonymised, however, OPBAS explicitly welcomes our increase in fining powers. We are used in several examples of good practise, although not named.
- 4 In May we wrote to all firms out of scope of the money laundering regulations to gather additional information about their processes and controls on checking clients' identities and source of funds. We have sent firms a mandatory questionnaire which will provide us with information on firms' exposure to financial sanctions risk. This will mean we have a complete set of data on firms which will allow us to target our proactive sanctions work, due to commence later this year.
- 5 We are expecting HM Treasury to consult on the future of AML supervision by the end of June 2023. We anticipate that the consultation will consider four options: strengthening OPBAS; amalgamation of AML supervision for lawyers and accountants; moving AML supervision of lawyers and accountants to a new body; and establishing a new AML supervision body to supervise the entire regulated sector.

Education and training

- 6 We have now completed the annual review of the functioning legal knowledge that is assessed in the Solicitors Qualifying Examination (SQE) - SQE1 and SQE2. Most of the changes are minor. The only substantial change is to make clearer our expectations around understanding where the laws of England and Wales differ. We worked closely with stakeholders in Wales to make these changes. The new assessment specifications have been published on the [SQE website](#) and come into effect for assessments taking place from September 2023.
- 7 In my last report, I told the Board that we were working with the Institute for Apprenticeships and Technical Education (IfATE) and the solicitor apprentices Trailblazer Group to update the Solicitor Apprenticeship Standard. The changes we have made are presentational to reflect the Government's new format. We consulted on the revised format last month in line with the IfATE's procedure and the updated standard will be published during the summer, once it has been through the IfATE process.

SRA BOARD

6 June 2023

CLASSIFICATION – PUBLIC***Police Station Representative Scheme***

- 8 The Board agreed to make rule changes to the Police Station Representative Accreditation Scheme (PSRAS) at its March meeting following a consultation on minor revisions to improve its delivery and assessment. 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.
- 9 We have since submitted our application to the Legal Services Board (LSB) to change the rules and it was approved on 24 May. In doing so, the LSB has asked about our progress on publishing information on our website that outlines our role, that of the Legal Ombudsman and the Legal Aid Agency in the event that a consumer wishes to complain about their representation. This work is due to be published shortly.

Keeping of the Roll

- 10 Following the update provided to the Board in March, the Keeping of the Roll window was opened as planned on 3 April 2023 for eight weeks. E-mail communications were issued to approximately 60,000 customers beforehand. The launch communications followed an extensive contact strategy to ensure that our data for those solicitors on the roll was as up to date as possible.
- 11 Customers were asked to complete a short on-line application within mySRA to elect to stay on the roll and to make a £20 payment. The application has performed well with no issues. An email reminder was issued on 25 April 2023 to those who had yet to complete the application. There was also a final reminder issued at week seven of the exercise and this was in addition to press and social media activity to raise awareness, as well as regular SRA Update communications.
- 12 The application window closed on 28 May 2023. We received over 31,000 applications. Following a short period to collate the data, we will then issue removal notices to those customers who have not responded. At the end of the application, we asked customers to complete a short on-line satisfaction survey. We have had over a 90% response rate to this and the feedback regarding the process has been overwhelmingly positive.

Solicitors Indemnity Fund

- 13 We continue to make good progress with our plans to transfer the management of the Solicitors Indemnity Fund (SIF) from Solicitors Indemnity Fund Limited (SIFL) to us. We submitted our application to the Legal Services Board for approval of the rule changes and this was approved in full in May.
- 14 We have appointed expert consultancy support for our planning and have commenced the process for appointing the third-party claims handling partner to

SRA BOARD

6 June 2023

CLASSIFICATION – PUBLIC

undertake claims handling services from 1 October 2023 onwards. We are developing the corporate reporting on SIF which will be in place from 1 October to provide the Board with appropriate oversight and assurance. We have also maintained our communication with both SIFL and the Law Society with regular meetings being held to ensure a smooth transition of arrangements.

Corporate Strategy and Business Plan consultations

- 15 Following Board discussion in April, we [launched](#) our consultation on our proposed Corporate Strategy for 2023–2026 in May. The consultation will close on 21 July 2023. We also [launched](#) our consultation on our business plan and budget for 2023-2024, which will run for six weeks until 21 June 2023.

Fee restrictions in claims management cases consultation

- 16 In March, we [published](#) our consultation on new rules that will restrict excessive fee charging when firms make compensation claims on behalf of their clients for mis-sold financial products. This is to meet our statutory duty under the Financial Guidance and Claims Act 2018 to make rules that prevent excessive fees being charged for claims management activities connected to financial products or services. The Financial Conduct Authority (FCA) has a similar duty, and its rules took effect from 1 March 2022.
- 17 The Board agreed our engagement programme on this in June 2021, but in March last year agreed to pause the consultation because of a judicial review brought against the FCA's rules. Permission for the judicial review was refused in August 2022, and we updated the Board at the meeting on 13 September 2022, at which time approval of the consultation was delegated to the Chair.
- 18 Since then, we have taken further time to engage with the FCA and have responded to a number of points raised prior to publishing our consultation. The consultation closes on 19 July 2023.

Financial penalties

- 19 The LSB has approved our new rules for reforming our approach to financial penalties. This follows on from two consultations. The changes came into effect on 30 May and will support our decision-making processes in disciplinary cases so that they can be resolved efficiently and effectively and introduce a schedule of fixed penalties for a specific set of rule breaches.

SRA Standards and Regulations: Minor Amendments Consultation

- 20 We consulted on minor amendments to the SRA Standards and Regulations between December 2022 and March 2023. These were designed to address issues on our “snagging list” creating practical difficulties either for firms or operationally for us. We identified these areas through engagement with external stakeholders and through our formal one-year evaluation of the Standards and

SRA BOARD

6 June 2023

CLASSIFICATION – PUBLIC

Regulations. The proposed changes were designed to improve clarity and address the risk of any unintended consequences of our policy.

- 21 We received 25 responses to the consultation. The feedback was positive overall, with some points raised that are summarised in annex 1. The new rules that we would like to make following the consultation are set out in annex 2.

Recommendation: The Board is asked to make the new rules on minor amendments to the SRA Standards and Regulations as outlined at annex 2.

Government consultation on regulation of the use of artificial intelligence

- 22 The Department of Science, Technology and Innovation is currently consulting on proposals for the regulation of the use of artificial intelligence (AI). Regulators will be expected to set clear expectations for those using AI, and produce guidance to support each of five proposed principles, for example covering appropriate governance measures and to help those suffering harm related to the use of AI to direct complaints appropriately. There will also be an associated regulatory data collection, monitoring and reporting framework that may develop into something similar to the current AML regime. We will be responding to the consultation.

Equality, Diversity and Inclusion (EDI) research

- 23 We will shortly publish the literature reviews on our two large-scale EDI projects:
- Differential performance ('attainment gaps') by ethnicity in professional qualifications, delivered by the University of Exeter.
 - Overrepresentation of Black, Asian and minority ethnic solicitors in reports made to us about solicitors and in our enforcement processes, delivered by the Universities of York, Lancaster and Cardiff.

The literature reviews highlight the complexity of both subjects, as well as the piecemeal evidence available so far.

- 24 The themes emerging from the literature on the attainment gap are informing an extensive survey of and interviews with students, educators and training providers, which will in turn feed into the final report. For the overrepresentation research, we are moving into the fieldwork stage, which will include interviews with solicitors to look in more detail at the factors identified in the literature that make some groups more vulnerable to complaints than others.

Research programme

- 25 We are pressing ahead with a number of priorities from our research programme. These include research into the size, scope and trajectory of the unregulated market for legal services, delivered by Frontier Economics, consumer segmentation research, delivered by Bayes Business School and an econometric

SRA BOARD

6 June 2023

CLASSIFICATION – PUBLIC

analysis of Professional Indemnity Insurance data, in collaboration with the Legal Services Board, delivered by Frontier Economics. We anticipate publishing the outcomes of these projects in summer.

26 We have also identified two further research projects that we are planning to take forward within our existing resources and budget for the current financial year. These include:

- a consumer facing project to help develop our understanding of consumer vulnerability, specifically in the context of legal services. This will also test the feasibility of developing a screening tool to understand the quantum of legal services vulnerability: the Legal Services Vulnerability Index (LSVI).
- a project to better understand firms' perceptions of and responses to high-risk market developments, as well as our approaches to helping them mitigate those risks. In addition to giving us better data about what the profession sees as high-risk issues, it would tell us how different segments of firms / solicitors keep up to date with those risks and how we might best support them.

27 We are planning to tender in June for an organisation to support the stakeholder perception work that will help to baseline our new Corporate Strategy. We anticipate establishing a small Board working group to work with the agency we appoint to design an approach that will provides us with the insight we require.

SRA Law Society (TLS) collaborative working protocol

28 There are three areas listed in the protocol that we have agreed to work collaboratively with TLS on in particular: technology, AML and EDI.

29 TLS is a member of our delivery consortium for our Regulators' Pioneer Fund (RPF) project intended to stimulate the development of technological solutions to support alternative methods of dispute resolution instead of litigation. We have undertaken further work with TLS, along with other consortium members, to explore key outcomes and scope work packages ahead of the project starting in September.

30 We have also been engaging with TLS on its 21 Century Justice policy development programme, looking at challenges in the civil justice system and increasing access to justice. As we learn more, we will consider whether or not there are appropriate collaboration opportunities going forward. Given the crossover with our RPF project, this is likely to be around alternative dispute resolution, as well as sharing knowledge on the use of big data (the large data sets that underpin artificial intelligence).

31 We continue to liaise with TLS on issues related to economic crime. The Director of AML spoke alongside the Chair of the Law Society AML taskforce at a recent external event.

SRA BOARD

6 June 2023

CLASSIFICATION – PUBLIC

- 32 On EDI, we continue to engage with TLS about ways to improve diversity in the profession, inviting a member of the Women Solicitors Network to speak at our latest webinar on creating a supportive culture for staff going through the menopause.

Legal and enforcement tender

- 33 After testing the legal services market and receiving several competitive proposals, we are progressing well with our current legal services tender exercise. We are currently at the negotiation stage with two service providers to formalise arrangements and are on track to have the new contracts signed for 1 November 2023. We are confident that this exercise and our decision to move forwards with more than one provider will deliver a range of benefits including driving improvements in service and ensuring value for money.

Schedule of delegation

- 34 At its meeting on 22 October 2019, the Board delegated to the Chief Executive the function of agreeing any future changes to the Schedule of delegation. It was last updated on 31 March 2022.
- 35 We have recently published a new version of the [Schedule of delegation](#) on our website. The changes reflect the commitment made as part of our consultation on financial penalties to publish a version of the Schedule in a format that is more accessible for an external audience. The new version of the Schedule is titled 'Who can make decisions at the SRA' and sets out our decision-making in a more transparent way.
- 36 It has been redrafted in plain English, removing technical terminology where possible or redefining technical terms in a glossary where needed. Further changes include updated new job titles, the removal of references to staff categories that have been replaced with individual job titles of staff members who have delegated authority to make the decisions in the Schedule. A new introduction to explain the purpose of the Schedule has also been added. Updates have also been made to reflect changes to operational procedures and new regulatory provisions, including the introduction of fixed financial penalties and the increase in our fining powers. I made these changes on 18 May 2023.
- 37 The Board is assured that following these changes, the Schedule of delegation is up to date and that decisions are made at the appropriate level and of the standard expected. This assurance will be given to the Board on an annual basis.

Stakeholder engagement and public affairs

- 38 At the time of writing, it was expected that the [Economic Crime and Corporate Transparency Bill](#) would complete its committee stages in the House of Lords and would be awaiting dates for its final stage debates. Amendments brought forward

SRA BOARD

6 June 2023

CLASSIFICATION – PUBLIC

from Peers – including Chair of the Communications and Digital Committee Baroness Stowell - in relation to widening powers for the SRA in relation to Strategic Lawsuits Against Public Participation (SLAPPs) were rejected by the government during committee, with the promise to bring back legislation following the Ministry of Justice consultation last year.

- 39 Along with the Chair, I have had meetings with the Secretary of State for Wales David TC Davies MP, and Labour’s Shadow Lord Chancellor Steve Reed MP. I have also met Sarah Chapman, the Chief Executive of the Office of the Public Guardian.
- 40 We have had our regular quarterly meeting and a symposium with the City of London Law Society. I have also given keynote speeches to the Law Society Risk and Compliance annual conference and Institute of Legal Finance and Management conference, as well as taking part in a roundtable of the CityUK Legal Services Group. We have also spoken at the Westminster legal policy forum event on legal ethics, the Devon and Somerset Law Society conference and the Bristol Law Society Risk and Compliance Webinar.
- 41 We have held our first ever sessions at the Welsh Labour and Conservative party conferences. Board member Nicola Williams represented us and spoke at both conferences. At the Welsh Labour party conference, we hosted a roundtable focusing on access to justice. Mick Antoniw MS, Counsel General and Jane Hutt MS, Minister for Social Justice and Equality spoke at the event, which was chaired by Jenny Rathbone MS, Chair of the Senedd Equality and Social Justice Committee.
- 42 We held a fringe session on the theme of legal services in rural Wales at the Welsh Conservative party conference. Nicola Williams was joined on the panel by Mark Isherwood MS, Welsh Conservatives Justice spokesperson and James Evans MS, member of the Senedd Legislation, Justice and Constitution Committee. The event was chaired by Councillor Rachel Buckler, from Monmouthshire. Prior to the session, we also met David TC Davies MP, Secretary of State for Wales.

Author Paul Philip, Chief Executive

Date 26 May 2023

Annexes

Annex 1 **SRA Standards and Regulations: Minor Amendments Consultation**

Annex 2 **SRA Regulatory Arrangements (Miscellaneous) (Amendment) Rules [2023]**