

For alternative formats, email contactcentre@sra.org.uk or telephone 0870 606 2555.

Notes on form RB1: Application for initial authorisation of a Partnership

Contents

(i) About form RB1	5
(ii) How to use the form.....	5
(iii) How to contact us and where to return the form (and any additional information).....	6
(iv) Frequently asked questions	6
Who to include on the form:.....	6
What about non-lawyer partners?.....	7
How do we know who the "qualifying insurers" are?	7
(v) Completing the form.....	7
Section 1 – Name	7
Name under which the firm is to be authorised.....	7
Name under which the firm will trade.....	7
Section 2 – Preferred practice commencement date.....	8
Section 3 – Head Office Details	8
Section 4 – Other Offices	8
Section 5 – Accountant's reports section	9
Section 6 – Person qualified to supervise	9
Non-solicitors and solicitors without 36 months of PCs.....	9
Waivers	9
Management training.....	10
Section 7 – Authorisation to take trainee solicitors	10
Training principal.....	10
Application to take trainees	10
Section 8 – Main contacts.....	10
Compliance Officer for Legal Practice (COLP)	10
Compliance Officer for Finance and Administration (COFA).....	10
Authorised signatory.....	11
Financial Services Authority (FSA) compliance officer.....	11
Training contact.....	12
Section 9 – Indemnity Insurance.....	12
Insurance cover.....	12
Period of cover	12
Exemptions	12
Section 10 – Solicitor partners (i.e. managers).....	13

Main practising address (where the individual will be based).....	13
Name of previous/current firm and date left previous firm (if applicable).....	14
Section 11 – Authorised Body Partners (i.e. managers).....	14
Section 12 – Non-deemed lawyer partners (i.e. managers).....	14
Section 13 – Legally qualified body and non-deemed authorised body partners (i.e. managers)	15
Structure and composition.....	16
European corporate practice	16
Authorised non-SRA firm.....	16
Main office address	16
Section 14- Compliance Officer for Legal Practice and Compliance Officer for Finance and Administration.....	16
Section 15 – Solicitor/REL/RFL employees.....	20
Previous/current firm	20
Section 16 – Other information	20
Associations – Introductions and referrals.....	20
Associations – Sharing fees	21
Involvement/influence.....	21
Other roles	21
Reliance on single income source	22
Section 17 – Turnover.....	22
Providing your turnover figure	22
New Authorised Body.....	22
Successor Authorised Body	23
Existing authorised body which is changing its legal status (e.g. LLP to Limited company) -	23
Accountant’s confirmation	23
Section 18 - Applicant body declaration	23
Who may sign?	23
Signing the form.....	24
Determination of application	24
Section 19 – Fees.....	24
For a New Authorised Body.....	24
For a Successor Authorised Body	25
Section 20 – Returning the form	26
Section 21 – Application checklist.....	26
(vi) Glossary of terms.....	27

(i) About form RB1

This is the prescribed form to apply for approval of a partnership to practise as an authorised body under the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011. This is also the appropriate form to use when an existing authorised body wishes to convert to a recognised body partnership.

This form can be used for all sizes of firm, including complex multi-layered structures. If you are applying for approval of a firm with a simple structure, much of the content of these notes will not apply to you.

There are separate forms to apply for approval of a new company (RB3₁) or an LLP (RB2₂). There is also a separate application to apply to become a licensed body (Alternative Business Structure (ABS)).

All references (unless otherwise stated) mean the following:

- the "Code" means the SRA Code of Conduct 2011,
- the "Authorisation Rules" means the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011
- the "Practising Regulations" means the SRA Practising Regulations 2011
- the "Practice Framework Rules" means the SRA Practice Framework Rules 2011
- the "Suitability Test" means the SRA Suitability Test 2011

The SRA Handbook is published at www.sra.org.uk/handbook.

(ii) How to use the form

Please answer all questions and complete all the relevant boxes. You may find it helpful to refer to the glossary at the end of these notes.

If you make an error during completion of the form, please put a line through any deletions. **Do not use liquid paper.**

If you are providing any additional information in separate sheets or documents, please provide a list of the enclosures and mark each document clearly with the section of the form to which it relates.

The declaration must be signed before submitting the form.

Please note that we will not be able to process your application until we have a completed application. This means an application that

- includes the completed form and appropriate fee;
- provides sufficient information to show compliance with the requirements of regulation 6.2 of the Authorisation Rules i.e. that :
 - i. the firm's composition and structure complies with Rules 13, 15 and 16 of the SRA Practice Framework Rules,
 - ii. the firm has appropriate indemnity cover,
 - iii. at least one of the managers is a person qualified to supervise,

- iv. a firm name has been adopted for authorisation; and
- v. provides any additional information that the SRA requests in connection with the matters in regulation 6 and Part 4 of the Authorisation Rules (this may be requested after you submit your application form to us).

(iii) How to contact us and where to return the form (and any additional information)

By Telephone

0870 606 2555
+44 (0) 1527 504450, if you are calling from overseas, or
operations@sra.org.uk

Lines are open 09.00 - 17.00, Monday to Friday.

Calls may be monitored/recorded for training purposes.

By mail

Please return the form and all supporting documents to

Authorisation Directorate
Solicitors Regulation Authority
Ipsley Court
Berrington Close
Redditch
Worcestershire B98 0TD

or

DX 19114 Redditch

(iv) Frequently asked questions

Who to include on the form:

You must include details of all partners (commonly referred to as managers) and compliance officers in your proposed firm. The following can be managers:

- solicitors,
- registered European lawyers (RELs),
- registered foreign lawyers (RFLs),
- exempt European lawyers,
- other lawyers,
- legally qualified bodies

Most of the terms referred to above are defined in the SRA Handbook and brief descriptions are contained in the glossary below.

Please also include all prospective employees who are solicitors, RELs and/or RFLs so that we can ensure that their records are accurate and up to date.

What about non-lawyer partners?

The SRA's move to outcomes-focused regulation and the new SRA Handbook came into effect on 6 October 2011. Part 5 of the Legal Services Act 2007 (LSA 2007) has also now come into effect. This section of the LSA 2007 allows for the introduction of Alternative Business Structures (ABS).

This means that all bodies that are "licensable" will need to apply to a Licensing Authority to become authorised as an ABS. Applications for all lawyer Legal Disciplinary Practices are not affected by this change. However, only ABS may have non-lawyer involvement. An ABS will need to have a licence in order to operate. You can access further information about applying to become an ABS on our website at www.sra.org.uk/abs.

How do we know who the "qualifying insurers" are?

Please refer to the qualifying insurers list at www.sra.org.uk/indemnity.

(v) Completing the form

Section 1 – Name

Name under which the firm is to be authorised

We must have one name that is the registered name of the firm for the SRA's register of authorised bodies.

Please provide the full name of the firm. This may not be the only name under which the firm will trade, but is the name that you regard as the principal name of the firm.

This name will appear on the SRA's public register, and you must show it, together with your SRA number, on your website and emails as well as on your letterhead (Chapter 8 of the Code).

Name under which the firm will trade

We ask this so that we can identify any part of the firm about which we are asked. Firms may want to practise under more than one style and clients and the SRA must be able to identify a firm, however it is described.

Please provide details (on a separate sheet if necessary) of all trading names of the firm if different from the name under which the firm is to be authorised.

Please note that if you adopt any new practising style(s) once authorisation has been granted, you must update your firm's online profile at mySRA, as all practising styles must be shown in our register of authorised bodies (Authorisation Rule 34.2(c)).

Please note that if you practise under a style other than your registered name, you must include the firm's registered name (and SRA number) on your letterhead, website and emails. (Chapter 8 of the Code).

Please state in your covering letter if the firm will hold client money under any trading name other than your registered name.

Section 2 – Preferred practice commencement date

Please let us know the date you would like your firm to start providing legal services.

When providing your proposed practice commencement date, please consider that we are unable to grant authorisation until a completed application has been received (Authorisation Rule 2.1).

Under our rules, the SRA must make a decision on your application within 6 months of receiving your application and all additional information that we require. We will aim to allocate your application to an authorisation officer within 4 -6 weeks of receiving a completed application. If you do not allow sufficient time for us to process your application, or your application is not fully in order, your actual approval date may be different from the proposed commencement date that you specify.

If you do not have a specific date in mind and would like authorisation at the earliest opportunity, you should leave this question blank.

You must not start practising until your firm has been approved by us.

Section 3 – Head Office Details

Please give the main office address, which we will record as the main contact address for the firm. Although we ask for an email address for the firm in this section, later in the application you will be asked to give details of contacts for specific purposes—these are to facilitate communications between us and will generally be our first point of contact.

Section 4 – Other Offices

We need to have details of all offices of the firm, including overseas offices, so that we know where the practice is located. Please provide the addresses and contact details of all branch offices and any other places of business from which your firm will practise. This might be, for example, a consulting room of which you will have exclusive use although no members of the firm will be based there.

Although we ask for an email address for each office, the main contacts requested in Section 8 will generally be our first point of contact.

If you do not intend to have any branch offices please leave this section blank.

If you will have more than three branch offices, please photocopy this section before completion and submit any additional pages with your list of enclosures.

Section 5 – Accountant’s reports section

We ask for the information in this section so that we know whether you expect to hold client money. Some firms, for example those dealing only with publicly funded work, can sometimes function without holding client money. The section also helps us to know whether, and when, we should expect to receive accountant’s reports from you.

The SRA Accounts Rules—see www.sra.org.uk/handbook—require that if a firm or any manager or employee of the firm holds or receives client money, or operates a client’s own account (e.g. as an attorney) during your accounting period, the firm must submit an accountant’s report.

Client money is money held or received for a client or as a trustee, and all other money which is not office money (only money which belongs to the firm will be office money).

Your accounting period must normally cover 12 months and will need to begin on the date when client money is first held or received (or a client’s own account is first operated). Accountant’s reports will need to be submitted annually and within six months of the end of your accounting period (unless instructed otherwise by the SRA)—see Rules 32 and 33 of the SRA Accounts Rules.

The accountant’s report will need to be in the name of the firm and all managers in the firm, including all individual, authorised body and other legally qualified body managers. Any employee (or consultant) who holds client money, or operates a client’s own account, will also need to be included in the report.

Section 6 – Person qualified to supervise

To comply with Rule 12 of the Practice Framework Rules, the firm must have at least one lawyer manager qualified to supervise. The requirements are set out at Rule 12.2 of the Practice Framework Rules.

You may have more than one manager who is qualified to supervise, but for our records we only require one name. Giving the details of one manager who is qualified to supervise does not impose additional responsibilities on that individual.

Non-solicitors and solicitors without 36 months of PCs

If the manager qualified to supervise is not a solicitor (e.g. he or she is a licensed conveyancer) please provide evidence that the manager has been entitled to practise as a lawyer for at least 36 months within the last ten years. This may be, for example, by providing certified copies of their practising certificates (if appropriate) or a letter from their regulator confirming the position.

Waivers

Please note that we will not proceed with your application for authorisation if the firm cannot comply with Rule 12 of the Practice Framework Rules. If you wish to apply for a waiver of this rule you should contact our Professional Ethics team and obtain a waiver before submitting this application.

Management training

We do not ask you to provide evidence with this application that the manager qualified to supervise has completed the training required under Rule 12.2(a) of the Practice Framework Rules (presently 12 hours of management skills training), but this may be requested separately.

Section 7 – Authorisation to take trainee solicitors

Firms wishing to take on trainee solicitors must be authorised to do so. For applications from new firms, you will be required to undertake a separate application process in order to be designated a training establishment.

Training principal

Please state whether you wish to take on trainee solicitors and, if so, provide the name and SRA number of the person who would be the training principal (see Regulation 1 of the SRA Training Regulations 2011 Part 2 Training Provider Regulations for the requirement in respect of a training principal).

Application to take trainees

Once your firm has been authorised, we will send you an application form to apply for authorisation to take trainee solicitors to the training contact that you name in Section 8 of the form.

Section 8 – Main contacts

The SRA contacts firms at various times throughout the year. To help us ensure effective communication channels we ask for the details of the most appropriate contacts in a number of areas. Please provide the individuals' names, email addresses and SRA numbers (where appropriate).

Compliance Officer for Legal Practice (COLP)

This is the individual nominated by the firm in Section 14 of the form. The SRA may contact the COLP directly in respect of any aspect of the authorised body's authorisation and the firm's compliance with legal and regulatory requirements. Information about the role of the COLP can be located under Section 14 of these notes.

Compliance Officer for Finance and Administration (COFA)

This is the individual nominated by the firm in Section 14 of the form. The SRA may contact the COFA directly in respect of any aspect of the firm's compliance with the SRA Accounts Rules 2011, including obligations relating to Accountant's Reports. Information about the role of the COFA can be located under Section 14 of these notes.

Authorised signatory

The firm's authorised signatory must be an eligible individual, who is authorised by the firm and its directors to make declarations on its behalf. In a company this must be a solicitor or REL director. The firm's authorised signatory will have access to the firm's online profile at mySRA and will be able to make updates on behalf of the firm. They will also have access to firm applications and will be able to make amendments to online applications, including the completion of the declaration. The authorised signatory will be the only person in the firm that can complete any declarations and they will also act as a point of contact for online communications regarding the firm.

Once the firm has been authorised an online profile will be created at mySRA and the authorised signatory will be able to nominate an organisation contact. Anyone within your firm can be the organisation contact, although you must determine the suitability of the individual that you nominate. The organisation contact will have access to the firm's online profile at mySRA and will be able to make updates on behalf of the firm. They will also have access to firm applications and will be able to make amendments to online applications, excluding the completion of the declaration (unless they are also the authorised signatory). The organisation contact will also be our point of contact for online communications regarding the firm. You can nominate more than one organisation contact.

Financial Services Authority (FSA) compliance officer

The FSA compliance officer is the individual within the firm who is responsible for ensuring compliance with the SRA Financial Services (Scope) Rules 2001 and the SRA Financial Services (Conduct of Business) Rules 2001 in respect of insurance mediation activities — see www.sra.org.uk/handbook. The FSA compliance officer need not be a manager or a solicitor, but ought to be someone with sufficient seniority within the management structure.

You may deal with a variety of insurance contracts such as life policies, after-the-event legal expenses policies, unoccupied property insurance, restrictive covenant and defective title indemnity policies. As the FSA regulates most contracts of insurance, you will need to consider whether you can carry out insurance mediation activities.

Insurance mediation is the term used to describe the financial services activities which arise in respect of insurance contracts. You will be carrying out an insurance mediation activity if you

- deal as an agent in contracts of insurance;
- arrange, or make arrangements with a view to a person entering into, a contract of insurance;
- assist in the administration and performance of a contract of insurance;
- advise on the merits of buying or selling a contract of insurance; or
- agree to carry out any of the above.

Firms working within the designated professional body (DPB) regime (i.e. the vast majority of firms) will be able to carry out insurance mediation activities provided they can satisfy the basic conditions in the SRA Financial Services (Scope) Rules 2001.

All firms carrying out insurance mediation activities (whether they are regulated by the FSA or not), must be included in the FSA Register and appoint a compliance officer. Firms which are not authorised by the FSA will appear in the part of the register known as the Exempt Professional Firms (EPF) register. We will ensure that firms regulated by us, under the DPB regime, will comply with this requirement if they advise us that they are carrying on insurance mediation and provide us with details of the firm's compliance officer.

By providing the name of the firm's FSA compliance officer, you are confirming that the firm carries out insurance mediation activities.

Training contact

This is the most appropriate person to whom all correspondence about trainee solicitors should be sent.

Section 9 – Indemnity Insurance

The SRA Indemnity Insurance Rules apply to all authorised bodies.

Insurance cover

You are required to submit details of your qualifying insurer's name, the policy number and period of cover. The list of qualifying insurers can be found at www.sra.org.uk/indemnity. Please ensure the details provided are not those of an insurance broker.

Period of cover

If the policy has not yet commenced, for period of cover please confirm that cover will run from commencement of practice to expiry date of cover.

More than one insurer – if your indemnity insurance cover will be provided by more than one qualifying insurer, please provide details of the additional policy(ies) in the additional information box on the form.

Exemptions

If your firm has insurance under the home professional rules of an REL manager, who has been granted exemption/partial exemption under paragraphs 1 or 2 of Appendix 3 of the SRA Indemnity Insurance Rules 2011, please provide the details requested of the exemption and of the insurance cover.

On 1 October 2010 the Assigned Risks Pool ceased to provide cover to new firms (in this context a new firm is any firm that is not a successor practice as defined in Appendix 4 of the SRA Indemnity Insurance Rules 2011). If you are unsure if your firm is a successor practice for indemnity purposes, you can contact our Client Protection Policy Unit on 01527 504487 for further guidance. If you are insured through the ARP you must show "Assigned Risks Pool" as your insurer, and provide the ARP policy number and the date on which the cover commenced. **On 1 October 2011 the Assigned Risks Pool eligibility period for a firm that is eligible was reduced from 12 to 6 months.** Visit www.sra.org.uk/ARPform to find out how to apply.

Evidence of cover – please provide a copy of your held cover complete letter of your policy/ies. If your policy has not yet been issued, please provide a copy of your quote from a qualifying insurer.

The SRA will not grant authorisation to your firm if you do not have indemnity insurance (or an offer of such cover) for your firm under the Minimum Terms and Conditions appended to the SRA Indemnity Insurance Rules

Section 10 – Solicitor partners

All managers and compliance officers (collectively referred to as Authorised Role Holders) of the authorised body will need approval from the SRA. However managers of an authorised body will be deemed approved if they meet the criteria set out in Rule 13.2 of the Authorisation Rules.

Section 10 is intended to be completed by solicitor managers who meet the deemed approved criteria, which is as follows:

The SRA will deem a person to be approved as suitable to be a manager or owner of an authorised body under this Part if:

(a) that person is:

(i) a solicitor who holds a current practising certificate; or

(ii) an authorised body;

(b) there is no condition on the person's practising certificate or authorisation as appropriate preventing or restricting them from being a manager, owner or interest holder of an authorised body or being a sole practitioner;

(c) the SRA is notified on the prescribed form in advance of the person becoming a manager or owner of the authorised body; and

(d) the SRA has not withdrawn its approval of that person to be a manager or owner under Rule 17.

A condition on a solicitor's practising certificate that prevents or restricts their ability to be a manager, shareholder or interest holder of an authorised body or being a sole principal, will include a condition such as the individual may only hold those roles with the prior approval of the SRA. If you are unsure whether a nominated manager may be subject to such conditions, please include them on Section 10 of the form. If we assess that the individual nominated is not 'deemed approved' we will contact you with details of what to do next.

Individuals, who do not fit the criteria set out in Rule 13.2 of the Authorisation Rules, will be subject to the full approval process, including the criteria set out in the Suitability Test. Further details are included at Section 14 of these notes.

Please photocopy this section of the form if you are providing details of more than two solicitors

Main practising address (where the individual will be based)

Please provide the firm's address where the individual will work. If the individual will work from a number of offices please provide the address of the office where the individual would like their correspondence sent.

Name of previous/current firm and date left previous firm (if applicable)

Please provide details of each individual's former or current firm and the specific date they left or plan to leave (if applicable) so that we can update our records accurately.

Section 11 – Authorised Body partners

Please photocopy this section of the form if you are providing details of more than one authorised body partner. A manager of the authorised body partner should complete this section.

Rule 13.1(b) of the Practice Framework Rules state that legally qualified bodies be a partner in an authorised body. Legally qualified bodies are recognised bodies, licensed bodies, authorised non-SRA firms or European corporate practices.

Where that legally qualified body is an authorised body, the body will be deemed approved to be a manager where it meets the criteria set out in Section 10 above. Section 11 of the form is intended to be completed by authorised body partner who meets the deemed approved criteria.

Any other legally qualified body that intends to be a partner of the authorised body should complete Section 13.

Managers or owners of the authorised body partner

Each of the managers or owners within the authorised body partner will require approval. Those managers may be deemed approved in accordance with Rule 13.2 of the Authorisation Rules if they are solicitors who meet the deemed approval criteria. These individuals should complete section 11.1

Any manager or owner who cannot be deemed approved who sits within the deemed approved authorised body will need to complete section 11.2. to 11.6 If more than one please photocopy the relevant sections.

'Owners' in this context has the meaning given to it in the 'Interpretation' section of the Authorisation Rules, i.e.

...any person who hold a material interest in an authorised body...

Please see the Glossary section of these notes for a definition of 'material interest'.

Section 12 – Registered European lawyer, registered foreign lawyer, Exempt European Lawyer other lawyer and non-deemed solicitor partners

Please photocopy this section of the form if you are providing details for more than one lawyer partner.

This section should be completed by lawyers who wish to apply for approval as a manager of the authorised body and who are not deemed approved. This includes solicitors who do not meet the deemed approved criteria, as well as RELs, EELs and RFLs and other lawyers. These terms are defined in the Glossary of these notes.

The SRA has a responsibility that persons who are authorised role holders are fit and proper and there are no issues which could call into question the candidate's character or suitability. The Suitability Test sets out the criteria the candidate has to satisfy to demonstrate that they are fit and proper. The questions in this section capture the information required to assess whether the proposed authorised role holder is fit and proper where they have not been deemed approved.

Non-deemed individuals who wish to be managers will be screened. This may include obtaining a CRB check for the individual. Further details of the CRB process are included at Section 14 below

Other lawyers who may be managers

Type of lawyer	Approved regulator
Barrister	Bar Council (through the Bar Standards Board) www.barstandardsboard.org.uk
Chartered Legal Executive	Chartered Institute of Legal Executives (through ILEX Professional Standards Ltd) www.ilex.org.uk
Licensed Conveyancer	Council for Licensed Conveyancers www.conveyancer.org.uk
Patent Attorney	Chartered Institute of Patent Attorneys (through the Intellectual Property Regulation Board) www.cipa.org.uk
Trademark Attorney	Institute of Trademark Attorneys (through the Intellectual Property Regulation Board) www.itma.org.uk
Costs Lawyer	Association of Costs Lawyers www.acl.org.uk
Notary public	Faculty Office of the Archbishop of Canterbury www.facultyoffice.org.uk

Section 13 – Authorised non-SRA firm, European Corporate Practice and non-deemed authorised body partners

Please photocopy this section of the form if you are providing details of more than one. This section is intended to be completed in respect of authorised non-SRA firm, European Corporate Practice and non-deemed authorised body partners that are not deemed approved. This section should be completed by a manager of the body partner.

As these partners will not be deemed approved, they will be assessed in light of the criteria set out in the Suitability Test. Please refer to Section 14 below for details of this process.

Structure and composition

The SRA is able to recognise a firm with a relatively complex structure, involving various tiers of ownership, provided that the structure and composition of all bodies in the firm satisfy the requirements of Rules 13, 15 and 16 of the Practice Framework Rules.

European corporate practice

Is defined in Rule 23 of the Practice Framework Rules but is essentially a body corporate which was formed and functions in an Establishment Directive state but not in England and Wales.

Authorised non-SRA firm

If the legally qualified body is an authorised non-SRA firm, please specify the approved regulator and the body's registration number.

Main office address

Please give the main office address of the body, which should be the registered office (including country of incorporation) of a corporate body. If the body does not practise from its registered office, please write 'non-practising office' against that address and provide details separately of the main practising address. Please note that the registered office of an authorised body must be a practising address of the firm.

Suitability Test

The questions in this section are in respect of the authorised body partner, not in respect of individuals within that body.

Candidate's declaration

The declaration at the end of this section should be completed by a manager of the authorised body partner.

Managers & owners of the body partner

Each of the managers and owners of the body partner of the firm seeking authorisation will also require approval under Rule 8.6 (ii) of the Authorisation Rules. There are slightly different arrangements for approval dependent on whether the body partner is itself an authorised body.

(i) Where the partner is a non-deemed authorised body:

If the managers and owners of the body partner meet the criteria under Rule 13.2 of the Authorisation Rules, they will be deemed approved. Where those managers or owners do not meet the criteria under Rule 13.2 of the Authorisation Rules they will be assessed by reference to the Suitability Test. Further details about the approval process, including CRB checks are included in Section 14 below.

(ii) Where the partner is an authorised non-SRA firm or a European Corporate Practice

Managers and owners of an authorised non-SRA firm or a European Corporate Practice seeking to be a partner will not be deemed approved for the purpose Rule 13.2 of the Authorisation Rules. All these managers and owners will be assessed by reference to the Suitability Test. Further details about the approval process, including CRB checks are included in Section 14 below.

'Owners' in this context has the meaning given to it in the 'Interpretation' section of the Authorisation Rules, i.e.

...any person who hold a material interest in an authorised body...

Please see the Glossary section of these notes for a definition of 'material interest'.

Individuals who are not deemed approved will be required to answer questions relating to the Suitability Test.

Section 14- Compliance Officer for Legal Practice and Compliance Officer for Finance and Administration

The Authorisation Rules state that all firms which the SRA authorise will need to appoint compliance officers for legal practice and for finance and administration (COLPs and COFAs). Risk management and proper governance is at the heart of these requirements and the role of the COLP and COFA is a lynchpin in achieving compliance. Details about the roles can be found on the SRA website at www.sra.org.uk/sra/news/sra-update/issue-21-ofr.page

The COLP and COFA must be individuals, employed by the authorised body, who have been approved by the SRA. One individual may take up the role of both COLP and COFA. A COLP must be a lawyer of England and Wales, a Registered European lawyer or an individual registered with the Bar Standards Board under regulation 17 of the European Communities (Lawyer's Practice) Regulations 2000. The COFA need not be a lawyer, but in assessing whether to approve them, we will consider the candidate's previous experience.

In assessing whether the individual is a suitable candidate to take up the role, we will undertake a two-stage assessment. Firstly, we will assess whether the individual is fit and proper by reference to the Suitability Test. Thereafter, we will assess whether the candidate has sufficient responsibility and is of sufficient seniority within the firm to effectively carry out their role. This will include an assessment of the individual's previous work experience and employment history.

Firm's organisation/governance structure

When providing information about the firm, you will need to be mindful that in assessing whether the COLP or COFA is a suitable candidate, we will have regard to the individual's status within that structure.

Typically, a firm's organisation structure will detail ownership and shareholding information (including parent undertakings, subsidiaries etc), whilst the governance structure will show reporting lines within the organisation. The firm's organisation and governance structure may be one in the same document, but where the firm is complex or multi-layered, these may be documented separately.

If you are unable to provide an organisation or governance structure, please state who the compliance officer's reporting line-manager will be (if any), together with confirmation of whether that individual is a manager or employee.

Role profile

Please provide a copy of the compliance officers' role profile and objectives. This may be included in the individual's job description, or it may be separately recorded.

Full/Part time & other responsibilities

In order to assess whether the amount of time that the nominated individual will devote to the role, we will take into account the other role responsibilities of the individual and whether the individual will take on the role on a full time or part time basis.

Number of total staff & legally qualified staff

Please provide the total number of staff to be employed at the firm. Please separately provide the total number of legally qualified staff.

The COLP/COFA candidate must consent to being nominated, and we require them to sign this section of the application form to confirm their nomination and to declare that the information provided about them is correct.

Home addresses

We require details of the candidate's addresses from the last five years in order to complete pre-authorisation screening.

Work History

In order to assess the candidate's suitability to take up their role, we require information about their professional history.

Details of experience gained

We require this information to assist in assessing the candidate's experience of being in a senior or managerial role. This will be taken into account when deciding whether the candidate is suitable to be approved in this role at the authorised body.

Experience & knowledge of managing finance

This information should be provided for those candidates seeking approval as the COFA.

Please continue on a separate sheet if necessary.

Professional Interests

Please provide details of any separate business in which the candidate owns, has a significant interest in, actively participates in, or is connected with.

'Actively participate' would include being employed by the separate business.

'Connected with' includes amongst other things having one or more manager in common with the separate business.

Prohibited separate businesses are those which provide lawyer-like services.

Further details about separate businesses can be found at Chapter 12 of the Code.

Suitability Test

Unlike the provisions for managers and owners, COLPs / COFAs cannot be deemed approved and must satisfy the Suitability Test.

The SRA must be satisfied that the candidate is suitable, taking into account the criteria set out in the Suitability Test, including;

- criminal offences;
- failure to disclose character and suitability issues;
- dishonest, violent, and discriminatory behaviour,
- misuse of position for pecuniary advantage or in relation to vulnerable people,
- perjury,
- financial behaviour such as mismanagement, avoidance of responsibility, or dishonesty,
- regulatory information and history which reflects on the candidate's honesty and integrity.
- honesty and integrity of associates, or
- other behaviour which demonstrates the candidate cannot be relied upon.

The SRA may undertake checks of a person using credit referencing agencies. In addition, a Criminal Records Bureau (CRB) check may be undertaken.

The CRB is a disclosure service which searches police records and issues a CRB certificate. The police provide CRB with access to all convictions held on the Police National Computer (PNC) and the CRB certificate includes every conviction, caution, reprimand, and warning in relation to the Candidate. The police have the discretion to include fixed penalties if they think it is relevant and necessary. The CRB check is independent verification of some of the answers given in the application form.

The SRA is an authorised signatory within the CRB process. The process is as follows:

- the candidate will be sent a blank CRB form following receipt of the application;
- the candidate must have certain identity documents verified by an evidence checker prior to returning the form to the SRA. The evidence checker must be a solicitor of England & Wales or a barrister
- once the completed CRB form is received by the SRA it is checked and verified for completeness;
- the form is then sent to CRB;
- CRB carry out the check;
- CRB produce the certificate and send it to the SRA;
- the SRA compares the CRB certificate against the candidate's application form to ensure all issues have been disclosed.

For candidates who have lived outside England and Wales in the last 5 years they must provide appropriate criminal records disclosure from the relevant jurisdiction. The onus is on the candidate to provide the information to the SRA. Some countries have a disclosure process similar to CRB checks.

If the candidate is a person who is covered by the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975, they MUST disclose all spent convictions. These excepted professions include solicitor, barrister and chartered or certified accountant. We recommend that the candidate checks the relevant legislation if in doubt as to whether spent convictions should be disclosed.

If they are NOT covered by this order, they do not need to disclose spent convictions.

If the candidate declares any character and suitability issues they will be required to provide

- 1) a statement of events, setting out any exceptional circumstances;
- 2) details of at least two referees;
- 3) confirmation that there are no further issues;

together with any other information specific to the issue(s) we require.

All material information relating to the candidate's character and suitability must be disclosed. Failure to disclose material information will be treated as prima facie evidence of dishonest behaviour.

Once we have received your nomination for COLP and COFA as part of the application form, we will assess the information provided. If we require further information, or require the candidate to provide a CRB check, we will aim to contact you or the candidate within 30 days of our receipt of your completed application.

Section 15 – Solicitor/REL/RFL employees

Please photocopy this section of the form if you are providing details of more than two solicitor, REL and/or RFL employees.

The purpose of this section is to enable our records to be accurate and up to date. If you expect to have solicitor, REL and/or RFL employees but cannot provide these details at the moment, please write 'to follow' and update your firm's online profile at mySRA as soon as possible following authorisation of your firm.

Previous/current firm

Please provide details of each individual's former or current SRA regulated firm and the specific dates they left or are expected to leave (if applicable) so that we can update our records accurately.

Section 16 – Other information

In this section we are seeking information to help us understand more fully the ways in which firms actually practise, and therefore develop a profile of the profession and potential regulatory risk factors. Our aim is to develop a system of risk-assessment so we are better able to target our resources and pre-empt regulatory difficulties in the interests of the public and the profession.

We are trying to gather information about professional independence and areas of influence that might affect firms. We need this to help us establish that firms are complying with the regulations and are not subject to any improper control. Our aim is that the information will help us to develop our understanding of professional independence, and how this can best be applied in the new regulatory framework.

This will be a continuing project to improve our regulatory effectiveness, so we will ask for annual updates of the information provided.

If relevant, this information can be taken into account in assessing applications for authorisation. Under Authorisation Rule 6.3 the SRA may refuse authorisation if it reasonably considers that it would be against the public interest to grant it or if approval would be incompatible with the regulatory objectives. However, we will be unlikely to exercise discretion to refuse an application based only on the information provided in this section, but it may lead us to contact you and make further enquiries to help us with the decision.

Associations – Introductions and referrals

Chapter 9 of the Code sets out the outcomes that you must achieve concerning referrals of business.

Please tell us if your firm has any arrangements with third parties for introducing clients now or in the future, even if there is no financial arrangement.

If you have answered yes, please give us the following details in respect of each introducer, on a separate sheet: the name of the organisation or individual with whom your firm has/will have an arrangement for introducing work; the date of commencement of the agreement, if known; the area(s) of work involved (e.g. conveyancing, personal injury); the percentage of your firm's total estimated fee income that you expect to arise in your first year of trading from your arrangements with each introducer; the total sum or details of any other consideration (e.g. provision of services or secondment of staff to the introducer, or an agreement to purchase services or products from the introducer where the purchase is a condition of referrals being made to you) which you think you are likely to pay to each introducer under the arrangement(s) in your first year of trading.

For detailed guidance on referrals visit www.sra.org.uk/referrals

Associations – Sharing fees

Chapter 9 of the Code sets out the outcomes that you must achieve concerning fee sharing. Please tell us whether your firm has, or expects to have, any arrangements with any individuals or organisations outside of the firm to share its fees with another party, or to receive a share of the fees of another party, now or in the future.

If you have answered yes to either question, using a separate sheet, please give us the following details in respect of each third party: the name of the organisation or individual with whom your firm has an agreement; the date of commencement of the agreement, if known; brief details of the nature of the arrangement; the area(s) of work involved, if an arrangement relates to a particular area (e.g. conveyancing, personal injury); the percentage of your firm's total estimated fee income that you expect to pay and receive under such arrangements in your first year of trading; the sum or details of any other consideration (e.g. provision of services or secondment of staff to the introducer, or an agreement to purchase services or products from the introducer where the purchase is a condition of referrals being made to you) which you think you are likely to pay to, or receive from, each individual or organisation with whom you have such an arrangement in your first year of trading.

Involvement/influence

Please provide details of any contractual or other type of relationship that the firm or any of the managers has that might affect, or might be perceived to affect, the integrity or independence of the firm. This type of situation is likely to be unusual, but might arise, for example, where an individual's role in the firm could include being a representative in any way of another body which he or she is involved in the role or involvement of an employee in the running of the firm amounts to some element of control over it finance agreements or loans to your firm have particular strings attached certain contractual conditions in agreements with referrers of business or funders effectively pass control of your firm to an outside body granting options to purchase your interest in your firm is for nominal value you form a relationship or enter arrangements that put any outsider in de facto control of any votes in a manager's meeting.

If you have answered yes, please provide details on a separate sheet of the relevant circumstances.

Other roles

This question is not aimed at trying to identify, for example, where managers work on a part-time basis or are involved in out of work activities such as coaching the local football team. What we want to identify is whether there are certain types of situation where firms' effectiveness, or even compliance, might be affected by other activities of the managers. This may be as a result of time

spent away from the firm, or the nature of another role might in some way interfere with responsibilities to the firm and clients.

If you have answered yes, please provide details on a separate sheet of the relevant partner(s) and a brief summary of the relevant role(s) he or she has outside of the firm. Again, this type of situation may well be unusual, but might arise, for example, where a partner, particularly if he or she is the only person in the firm who is qualified to supervise, plays a major role in another firm or is, for some other reason, frequently absent from the

firm or a significant number of non-executive directorships that are not related to the work of the firm are held by a partner, or where the nature of such positions, may compromise the partner's role or work in the firm.

We do not intend to capture here information, for example, about trusteeships if these roles are undertaken as part of the normal activities of the managers as representatives of the firm and do not clash with the interests or needs of the firm.

Reliance on single income source

This information is intended to provide us a better understanding of a firm's reliance on a single source of fee income. The information is not used in isolation but informs our view of particular types of risk (such as lack of independence) crystallising in a firm. A group of clients means a number of related clients involved in the same or related case, for example class action clients. Referral sources are any intended arrangements with third parties for introducing clients to your firm. The estimated total used for gross fees should be that used to define your estimated gross fees for your first complete financial year.

Section 17 – Turnover

This information will help us to develop our profiles of firms. Importantly, authorised bodies are required to pay periodical fees (normally annually) which are calculated using the firm's turnover. We acknowledge that information about firms' fees is commercially sensitive. We will use it for regulatory purposes only, and we will not use it in a way that allows the information to be attributed to a particular firm.

Providing your turnover figure

The way the turnover figure is determined varies depending on whether the firm, on approval, is a New Authorised Body or a Successor Authorised Body or if the firm is an existing authorised body which is changing its legal status.

Please see the glossary for the meaning of New Authorised Body and Successor Authorised Body, for the purpose of providing your turnover figure.

New Authorised Body

For a New Authorised Body (i.e. not a Successor Authorised Body nor one resulting from change in status), an estimate for the first twelve months of practice (irrespective of whether this is after 31 October 2011) will be accepted. The basis upon which the firm has made the estimate should be provided on a separate sheet.

Please provide the turnover figure both in numerical and word format. If you only provide one format you will be asked to provide the missing format and this will delay your application being processed.

Successor Authorised Body

For a Successor Authorised Body, a separate Notice of Succession (form NS1) should be submitted, providing an agreed successor turnover figure.

Firms affected by a change, for example, an acquisition, merger or split, to provide the SRA with a successor turnover figure which is calculated by apportioning the historic turnover figures for each of the firms affected by the change. Form NS1 is the prescribed form to notify the SRA of a successor turnover figure for each of the affected firms where: A firm has succeeded to the whole or part of the practice of one or more firms, and/or a UK firm has split or ceded part of the practice to another firm and wishes this change to be considered by the SRA when determining the firm's next periodical fee. You can download form NS1 and further guidance from our website at www.sra.org.uk/ns1

Notice of Succession submission - where form NS1 is required, it must be submitted within 28 days of the change taking place. Please indicate if a Notice of Succession has been submitted and provide the submission date where appropriate.

Existing authorised body which is changing its legal status (e.g. LLP to Limited company) -

For a firm that is changing its legal status, it should provide the firm's turnover figure from its last complete accounting period prior to 1 November 2011 as if there were no change in status. Please provide the turnover figure both in numerical and word format. If you only provide one format you will be asked to provide the missing format and this will delay your application being processed. The turnover figure will need to be based on closed accounts, audited where possible. Closed accounts are defined as having, in order of preference: an audited set of financial statements an unaudited set of financial statements signed off by an accountant a submitted tax return for the year. The turnover figure should be an exact figure wherever possible. A figure rounded to the nearest £1000 will be acceptable only if more detail is unavailable and an explanation is provided. In such a case you should provide details in a covering letter.

Accounting period - please provide the exact dates of the accounting period to which the turnover figure relates.

The turnover figure should, wherever possible, be for the last complete (12 months) accounting period prior to 1 November 2011 (e.g. to 31 March 2011). The latest acceptable annual accounting period end date will be 31 October 2011.

Please confirm what the turnover figure you have provided is based on by ticking just one of the following tick boxes. Based on closed accounts (see above for the definition of closed accounts). An estimate as the accounts for the period given in your —accounting period have not yet been closed.

Accountant's confirmation

Please say whether your accountant(s) has/have provided written confirmation or are able to validate the turnover figure provided. The SRA may request a copy of this confirmation. Where the firm will, on approval, be a New Authorised Body, you should also tick Yes No if your accountant(s) is/are able to verify the figure provided as a reasonable estimate.

Section 18 - Applicant body declaration

Who may sign?

The form must be signed by a solicitor or an REL who is a manager in the firm and who is authorised by all managers of the firm to make the declarations in Section 19. If there are no

individual managers in the firm, the form may be signed by a solicitor or an REL manager of a body corporate manager of the firm, similarly authorised by all managers. If the person signing is not a manager named in Section 10 of the form, please provide details in your covering letter of the capacity in which he or she signs the form.

Signing the form

When you have completed the form on behalf of the firm, please clearly and accurately state your full name and SRA number and sign and date the declaration.

Determination of application

The Authorisation Rules allow us to grant or refuse authorisation or to grant authorisation subject to conditions which we consider appropriate in the public interest for example preventing the firm undertaking certain activities. The regulations also permit us to revoke authorisation in appropriate circumstances.

Section 19 – Fees

The fee for approval of a new authorised body varies depending on whether the firm will, on approval, be a New Authorised Body or a Successor Authorised Body or if it is an existing authorised body which is changing its legal status.

Please see the glossary for the meaning of New Authorised Body and Successor Authorised Body, for the purpose of calculating your firm's fee.

For a New Authorised Body

The fees for a firm which, on approval, will be a New Authorised Body are listed below. Please note the charge for handling the application is £200, this charge is included in the fees below. If you decide to withdraw your application or your application is refused we will issue you a refund, however the charge for handling your application will be retained.

Authorisation approval date between:

Fee

1 November 2011 to 31 December 2011 inclusive	£1,000	
1 January 2012 to 31 March 2012 inclusive	£800	
1 April 2012 to 30 June 2012 inclusive		£600
1 July 2012 to 31 October 2012 inclusive	£400	

Compensation Fund contribution

A Compensation Fund contribution is payable by firms which intend to hold or receive client money. If you intend to hold or receive client money (as defined in the SRA Accounts Rules 2011) at any time during the period 1 November 2011 to 31 October 2012, you are required to pay this contribution when you submit your application.

Authorisation approval date between:

Contribution

1 November 2011 to 31 December 2011 inclusive	£772	
1 January 2012 to 31 March 2012 inclusive	£579	
1 April 2012 to 30 June 2012 inclusive		£386

1 July 2012 to 31 October 2012 inclusive

£193

Please note, the date of our decision will determine the final fees payable. We will aim to approve your authorisation on your preferred practice commencement date. If however, you do not allow sufficient time for us to process your application, or your application is not fully in order, your actual approval date may be different from the proposed practice commencement date that you specify. If this is the case, we will automatically send you a refund or request further fees from you, if applicable.

Authorised bodies are required to pay periodical fees (normally annually) which are calculated using the firm's turnover. Your firm's next periodical fee will be calculated using the turnover figure that you provide in Section 18.

For a Successor Authorised Body

The fee for a firm which, on approval, will be a Successor Authorised Body is £200. This is the charge for handling the application.

If however the predecessor sole practitioner(s) or authorised body(ies) have not paid a fee for the practising year 1 November 2011 to 31 October 2012, the fee shall be determined as if the body were applying for renewal, plus a fee of £200. This is the charge for handling the initial application. If you decide to withdraw your application or your application is refused the charge for handling your application will be retained.

Compensation Fund contribution

The SRA will waive this contribution where the application is made by a firm which is succeeding to the practice of another authorised body(ies) or recognised sole practitioner(s) and the predecessor body(ies) or practitioner(s) has already paid a contribution to the Compensation Fund.

Authorised bodies are required to pay periodical fees (normally annually) which are calculated using the firm's turnover. Your firm's next periodical fee will be calculated using the successor turnover figure agreed in the associated Notice of Succession (form NS1). You can download form NS1 and further guidance at www.sra.org.uk/ns1

For an existing authorised body that is changing its legal status

The fee for an existing authorised body that is changing its legal status is £200. This is the charge for handling the initial application. If you decide to withdraw your application or your application is refused the charge for handling your application will be retained.

If however the predecessor authorised body has not paid a fee for the practising year 1 November 2011 to 31 October 2012, the fee shall be determined as if the body were applying for renewal, plus a fee of £200. This is the charge for handling the initial application.

Compensation Fund contribution

The SRA will waive this contribution where the application is made by a firm which is changing its legal status and the predecessor authorised body has already paid a contribution to the Compensation Fund.

Authorised bodies are required to pay periodical fees (normally annually) which are calculated using the firm's turnover. Your firm's next periodical fee will be calculated using the turnover figure that you provide in Section 18.

How to pay – please refer to information on ways to pay at www.sra.org.uk/payment

Your application will not be accepted without the correct fee.

Section 20 – Returning the form

Please provide a list of any additional documents that you are sending, including additional pages, other supporting documents and information, and any other forms. Please mark each document clearly with the section of the form to which it relates.

Please send the form, appropriate fee and all documents to the SRA's postal or DX address.

Section 21 – Application checklist

Please refer to the checklist to ensure that you have completed the form and provided the information we need, so that we can deal with your application as quickly as possible.

(vi) Glossary of terms

Approved regulators

A regulatory body approved under the Legal Services Act 2007 (the Act) to authorise individuals or firms to undertake reserved legal activities; the approved regulators named in the Act are the Law Society (which will act through its independent regulatory body, the SRA), the Bar Council, the Master of Faculties, the Chartered Institute of Legal Executives, the Council for Licensed Conveyancers, the Chartered Institute of Patent Attorneys, the Institute of Trade Mark Attorneys, the Association of Costs Lawyers , the Association of Chartered Certified Accountants and the Institute of Chartered Accountants of England and Wales

Authorised non-SRA firm

A firm which is authorised to carry on legal activities by an approved regulator other than the SRA (see Section 12).

Authorised Body

Either a recognised body (partnership, company or LLP) or a licensed body (ABS) authorised under the SRA Authorisation Rules.

Authorised Role Holder

A manager, owner or compliance officer in an authorised body

Candidate

The person nominated by the applicant body to undertake an authorised role.

Compliance Officer for Finance & Administration (COFA)

An authorised role within an authorised body. All authorised bodies must have a COFA - a compliance officer for legal practise. The role of the COFA is set out in more detail at Rule 8 of the Authorisation Rules.

Compliance Officer for Legal Practise (COLP)

An authorised role within an authorised body. All authorised bodies must have a COFA - a compliance officer for legal practise. The role of the COFA is set out in more detail at Rule 8 of the Authorisation Rules.

Deemed approval

The process defined in Rule 13.2 of the SRA Authorisation Rules which applies to certain authorised role holders.

European corporate practice

A lawyers' practice which is a body incorporated in an Establishment Directive state, or a partnership with separate legal identity formed under the law of an Establishment Directive state:

- (i) which has an office in an Establishment Directive state but does not have an office in England and Wales;
- (ii) whose ultimate beneficial owners include at least one individual who is not a lawyer of England and Wales but is, and is entitled to practise as, a lawyer of an Establishment Directive profession; and
- (iii) whose managers include at least one such individual, or at least one body corporate whose managers include at least one such individual.

Exempt European lawyer (EEL)

A member of an Establishment Directive profession:

- (a) registered with the Bar Standards Board; or
- (b) based entirely at an office or offices outside England and Wales, who is not a lawyer of England and Wales (whether entitled to practise as such or not).

Firm

Includes a sole practitioner, partnership, LLP or company through which a solicitor or REL practises (other than in-house).

Head or main office

The "head or main office" is the office address that we will hold in our records as the main address for your firm.

Legal disciplinary practice

LDPs are a type of firm which includes one or more other lawyers; there can be no non-lawyer participation in an LDP.

Legally qualified body

A legally qualified body can be a recognised body, a licensed body an authorised non-SRA firm or a European corporate practice.

Manager

A manager of a firm is a;

- partner in a partnership; or
- a member of an LLP; or a
- director of a company or

in relation to any other body, a member of its governing body;

Material interest

Has the meaning given to it in Schedule 13 to the Legal Services Act 2007; and a person holds a "material interest" in a body ("B"), if the person:

- (i) holds at least 10% of the shares in B;

(ii) is able to exercise significant influence over the management of B by virtue of the person's shareholding in B;

(iii) holds at least 10% of the shares in a parent undertaking ("P") of B;

(iv) is able to exercise significant influence over the management of P by virtue of the person's shareholding in P;

(v) is entitled to exercise, or control the exercise of, voting power in B which, if it consists of voting rights, constitutes at least 10% of the voting rights in B;

(vi) is able to exercise significant influence over the management of B by virtue of the person's entitlement to exercise, or control the exercise of, voting rights in B;

(vii) is entitled to exercise, or control the exercise of, voting power in P which, if it consists of voting rights, constitutes at least 10% of the voting rights in P; or

(viii) is able to exercise significant influence over the management of P by virtue of the person's entitlement to exercise, or control the exercise of, voting rights in P;

and for the purpose of this definition, "person" means (a) the person, (b) any of the person's associates, or (c) the person and any of the person's associates taken together, and "parent undertaking" and "voting power" are to be construed in accordance with paragraphs 3 and 5 of Schedule 13 to the Legal Services Act 2007.

New Authorised Body

A New Authorised Body means an authorised body which obtained authorisation after 31 October 2011 and is not a Successor Authorised Body.

Other office

"Other office" is any office of a firm other than the head or main office.

Recognised body

A partnership, LLP or company recognised by the SRA under section 9 of the Administration of Justice Act 1985 as suitable for the provision of legal services.

Registered European lawyer (REL)

A European lawyer registered with the SRA under regulation 17 of the European Communities (Lawyer's Practice) Regulations 2000 (S.I. 2000 No. 1119) to permit practice in the UK.

Registered foreign lawyer (RFL)

A lawyer of another jurisdiction registered with the SRA under section 89 of the Courts and Legal Services Act 1990 to permit them to participate in a recognised body.

Shareowner

Either:

- (i) a *member* of a *company* with a share capital, who owns a share in the body; or
- (ii) a *person* who is not a *member* of a *company* with a share capital, but owns a share in the body, which is held by a *member* as nominee.

Further details can be obtained in Chapter 14 of the Code of Conduct and the Practice Framework Rules

Successor Authorised Body

Successor Authorised Body means for the purposes of calculating the firm's fees, an authorised body which after 31 October 2011 succeeds to the whole or any part of any authorised body or recognised sole practitioner, for value or otherwise, in any of the following cases:

case (I):

an authorised body which acquires the whole or part of one or more authorised bodies or recognised sole practitioners;

case (II):

An authorised body resulting from the merger between the whole or part of two or more authorised bodies or recognised sole practitioners;

case (III):

An authorised body remaining after it has split or ceded part of its practice to another authorised body or recognised sole practitioner.

Successor Turnover

Successor turnover is relevant where firms have changed through, for example, an acquisition, merger or split. Certain firms affected are required to submit a Notice of Succession to the SRA with an agreed apportionment of turnover among the affected firms.

As guidance successor turnover should be calculated based on the Turnover Figures for each of the affected firms.

If a firm has succeeded to the whole or a part of one or more firms (e.g. through merger or acquisition), successor turnover will be calculated by combining the appropriate proportion of the turnover figure for each of the affected firms which has become part of the successor practice: In a simple merger between firms A and B, combine the Turnover for each firm.

In a merger of one firm (firm A) with part of another firm (e.g. one third of firm B) then firm A should add the corresponding proportion of firm B's Turnover Figure to its Turnover Figure (e.g. firm A's Turnover Figure + third of firm B's Turnover Figure).

For a firm which has split or ceded part of their practice to another firm and wishes this change to be reflected in a Successor Turnover Figure, the Successor Turnover Figure will be a proportion of the Turnover Figure, as long as it is clear how the turnover Figure for such a firm is to be distributed between the successor firms. 100% of the Turnover Figure must be accounted for between the successor firms.

For example:

In a merger of firm A with one third of firm B then, firm B's successor turnover figure will be two thirds of its Turnover Figure, Firm A's will be its Turnover Figure plus one third of B's Turnover Figure;

Where firm A and one third of firm B become new firm C, firm A's turnover will be £0 (closed) and B's turnover will be two thirds of its Turnover Figure. Firm C's successor turnover figures will be the combination of A's Turnover Figure and one third of firm B's.

In a case where all successor firms agree on the apportionment of 100% of the Turnover Figures, then the SRA will accept the successor turnover figures.

In the case where all successor firms are unable to agree the apportionment of 100% of the Turnover Figures, then the SRA will treat the Notice of Succession as an application for it to determine the Turnover Figures for the purposes of determining periodical fees. The SRA will determine this apportionment based on the information available and its decision will be final.

Turnover Figure

The following paragraphs describe how the turnover figure that will be used for the purposes of determining the renewal fee will be calculated.

1. Turnover figure means a firm's total gross fees arising from work undertaken from offices in England and Wales.

Gross fees includes: all professional fees of the firm including remuneration, retained commission, and income of any sort whatsoever of the firm (including notarial fees). Work in Progress (WIP) should be included.

Gross fees does not include: interest, reimbursement of disbursements, VAT, remuneration from a non-private practice source, dividends, rents, and investment profit.

2. The turnover figures that will be used when billing firms in October 2012 will be based on **closed accounts**, audited where possible.

Closed accounts are defined, in order of preference, as:

- i. an audited set of financial statements
- ii. an unaudited set of financial statements signed off by an accountant
- iii. a submitted tax return for the year.

3. Bad debt should be handled under normal accounting procedures. Where it has been allowed for in the turnover figure for a firm's last closed accounting period prior to 1 November 2011 that is acceptable. If a bad debt has been discovered after closing the firm's accounts, then the turnover figure cannot be re-adjusted. Those adjustments could potentially be accounted for in the following year's closed accounts.
4. The turnover figure should, wherever possible, be for the last complete (12 months) accounting period prior to the 1 November 2011 (e.g. 31 March 2011). The latest acceptable annual accounting period end date is 31 October 2011.
5. The turnover figure should be an exact figure wherever possible. A figure rounded to the nearest £1,000 will be acceptable only if more detail is unavailable.

6. Those firms who do not have closed accounts which ended within the period from 1 November 2010 to 31 October 2011, should provide the SRA with an estimate of the turnover figure as well as the previous year's turnover figure based on accounts which have been closed.

7. The turnover figure must be for a 12-month period.

(a) For a brand new firm (i.e. not a successor firm nor one resulting from change in status), an estimate for the first 12 months of practice (irrespective of whether this is after 31 October 2011) will be accepted; the basis upon which the firm has made the estimate should be provided to the SRA.

(b) If a firm has changed its annual accounting period, its latest closed accounting period prior to the 1 November 2011 will be shorter or longer than 12 months. The following approach should be used by the firm, providing an explanation of how they have derived their turnover figure:

Preferably, provide the turnover for the 12-month period immediately preceding the new accounting period end date (as long as prior to 1 November 2011).

Alternatively, if this is not possible then take the last closed accounts period prior to the 1 November 2011 and scale it appropriately (e.g. if the last closed accounting period was for six months then it should be doubled; if the last closed accounting period was for 15 months, then it should be divided by 15 and then multiplied by 12).

8. If a firm has a change in status (e.g. partnership to LLP), then at renewal it should respond as if there were no change in status.