

**SRA BOARD**

15 July 2015

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**SRA Amendments to Regulatory Arrangements (Recognised Sole Practice) Rules  
[2015]**

**Purpose**

- 1 To update the Board on progress on implementing changes to the regulation of recognised sole practitioners, and to invite the Board to make the SRA Amendments to Regulatory Arrangements (Recognised Sole Practices) Rules [2015] attached as Annex 1.

**Recommendations**

- 2 The Board is asked to:
  - a) make the SRA Amendments to Regulatory Arrangements (Recognised Sole Practices) Rules [2015] to come into force on 1 November 2015, subject to the approval of the Legal Services Board (Annex 1) (paragraphs 5 to 9); and
  - b) note the progress made across the SRA with regard to the transfer of recognised sole practitioners into the new regulatory regime from 1 November 2015 (paragraphs 10 to 15).

**If you have any questions about this paper please contact Crispin Passmore,  
Executive Director, Regulation and Education, [crispin.passmore@sra.org.uk](mailto:crispin.passmore@sra.org.uk) or 0121  
329 6633.**

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### SRA Amendments to Regulatory Arrangements (Recognised Sole Practices) Rules [2015]

#### Background

- 3 This paper considers the regulatory arrangements required to implement the arrangements to harmonise and simplify the regulatory arrangements for sole practitioners set out in the Legal Services Act 2007 (The Law Society) (Modification of Functions) Order 2015 (the Order).
- 4 The Order, made under section 69 of the Legal Services Act 2007, was made in February 2015, and came into force on 6 April 2015 and amends the Solicitors Act 1974, the Administration of Justice Act 1985 and the European Communities (Lawyer's Practice) Regulations 2000 in relation to the regulation of solicitors and Registered European Lawyers who set up as sole practitioners. The substantive part of the Order comes into force on 1 November 2015. From that date, sole practitioners will no longer receive an annual endorsement on their practising certificates (PCs), which will be replaced with an authorisation that does not need to be renewed annually. This brings sole practitioners in line with other types of firms authorised by us.

#### Rule changes

- 5 In order to bring into effect the necessary changes, a number of amendments are needed to the SRA Handbook and, in particular, significant redrafting of four sections:
  - the SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011;
  - the SRA Practising Regulations 2011;
  - the SRA Practice Framework Rules; and
  - the SRA Handbook Glossary 2012.
- 6 The proposed amendments have been drafted with a view to both making the necessary changes to the rules to implement the Order, and ensuring that our regulatory arrangements are clear, consistent, and effective. We undertook a full review of the Handbook and also identified a number of consequential amendments that are needed as a result of the changes in terminology and overall approach to the regulation of sole practitioners. In doing so, we have also taken the opportunity to remove a number of transitional provisions that are no longer required, such as those relating to the period before we were designated as a licensing authority.

#### *Summary of key changes*

- 7 In summary, the changes seek to achieve the following:

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- all references to the authorisation of sole practitioners to be removed from the SRA Practising Regulations 2011;
  - inclusion of sole practitioners in the SRA Authorisation Rules 2011<sup>1</sup> and transfer of relevant provisions in the SRA Practising Regulations 2011 to the SRA Authorisation Rules;
  - amendments to the SRA Practice Framework Rules 2011;
  - review of all references to sole practitioners, sole principals, and recognised sole practitioners across all areas of the SRA Handbook (and consequential amendments made where necessary); and
  - a comprehensive review and cross reference of the SRA Handbook Glossary, and the making of necessary consequential amendments.
- 8 Some key changes to terminology are necessary to bring the changes into effect, and to allow progress to be made on making operational changes to the our databases, systems and forms. These key changes to terminology include:
- the practice of a sole practitioner that has been authorised by the SRA will be known as a **Recognised Sole Practice**;
  - the SRA Handbook Glossary definition of **applicant** will be expanded to include application for authorisation<sup>2</sup>; and
  - the SRA Handbook Glossary definition of **sole practitioner** will be revised to reflect the amended definition of “sole solicitor” in the Solicitors Act 1974 which, from 1 November 2015, excludes a sole principal in an incorporated practice.
- 9 Provided LSB approval is granted, amendments will be made to the 1 November 2015 version of the SRA Handbook to reflect the agreed changes.

**Recommendation:** the Board is asked to make the SRA Amendments to Regulatory Arrangements (Recognised Sole Practices) Rules [2015] to come in to force on 1 November 2015, subject to the approval of the Legal Services Board (Annex 1).

**Operational implementation**

- 10 Since March 2015, a cross-organisational project team, led by the Business Change Team, has been working on implementing the required operational changes to deliver the new arrangements. The main work streams for this project were as follows:

<sup>1</sup> SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011.

<sup>2</sup> At present the definition is confined to applications to the Compensation Fund.

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- drafting (and approval) of the proposed changes to the rules/regulations, and changes to the SRA Handbook;
  - changes to the PC renewal application used by sole practitioners;
  - update to the firm based application form to reflect new arrangements from November 2015; and
  - making changes to our core databases to ensure that individuals and organisations affected are described correctly, can be reported on, and that key data feeds continue to work effectively for key stakeholders.
- 11 Work is progressing well, and is on track to passport sole practitioners to the new arrangements on 1 November 2015. There is no burden on sole practitioners, who will apply for renewal of their PCs in the usual way. The application form will ask them to confirm that they wish to continue to practise as a sole practitioner in the 2015/16 practising year, and that they wish their practice to be treated as a **recognised sole practice** from 1 November 2015. Sole practitioners will also be advised that PCs for the 2015/16 practising year will not include the sole practitioner endorsement.
- 12 Work is also underway to review all external and internal facing communications, including the website to make the necessary changes, and arrangements have been made to communicate the details of the changes to affected stakeholders.
- 13 Applications by new sole practitioners that have been received before 1 November 2015, but have not been processed by that date, will be determined under the new arrangements. The Order makes express provision for such applications and decisions to be dealt with in this way.

*Conditions on Sole Practitioners' Practising Certificates*

- 14 A further piece of work has been undertaken by the project team to identify and analyse the small number of conditions which are currently attached to sole practitioners' PCs. This is in order to ascertain whether these conditions should remain with the individual after 1 November 2015, or should be transferred to the new recognised sole practice's authorisation.
- 15 Article 4 of the Order gives the SRA the power to impose conditions on the new recognised sole practice's authorisation at the point at which they are passported to the new regime, if the relevant Rules prescribing the circumstances in which we could impose such conditions are in force by 1 October 2015. However, we are satisfied that whilst in the future we may consider it appropriate to impose conditions on the recognised sole practice's authorisation, the current conditions should remain on the individual's PC and not be transferred to the practice itself. This is because these are either targeted towards issues which relate to the individual or, where these, for example, cover matters such as the delivery of half yearly accountants reports or restrictions on the holding of client money, these continue to give the appropriate level of protection and are consistent with the way in which we approach conditions in relation

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to recognised bodies (y placing similar requirements on individual partners). There is a separate project that is looking at firm versus individual regulation which will review the way in which we use conditions as a regulatory tool. Conditions on the authorisation of recognised bodies and recognised sole practices would fall within the ambit of that work.

**Recommendation:** the Board is asked to note the progress made across the SRA with regard to the transfer of recognised sole practitioners to the new regulatory arrangements from 1 November 2015.

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### Supporting information

#### Links to the Strategic Plan and/or Business Plan

- 16 The proposals link to Strategic Objective 1 - they strike the right balance between reducing regulatory burdens and ensuring consumer protection. This piece of work simplifies our approach to sole practitioners, ensuring that they receive a lifetime authorisation in the same way as other regulated firms, reducing unnecessary burdens on them to renew their authorisation annually.

#### How the issues support the principle of better regulation

- 17 Our approach simplifies the regulatory framework, by moving the authorisation of sole practitioners into the SRA Authorisation Rules 2011, and ensuring a level playing field for sole practitioners. It removes the requirement for sole practitioners to apply for an annual endorsement on their practising certificate, instead, sole practitioners will receive a lifetime authorisation in the same way as other regulated firms.

#### What engagement approach has been used to inform the work and what further communication and engagement is needed?

- 18 We have provided information to both small firms groups and sole practitioners (through the sole practitioners group). We offered to attend the SPG meetings in 2015, however, we were advised that sole practitioners are aware of the changes. We will include a short article in the upcoming SPG publication Solo, and sole practitioners will also receive guidance and further information as part of the PCRE communications strategy. Sole practitioners will also receive online guidance (via the application form) when making their application for renewal in 2015.

#### What equality and diversity considerations relate to this issue

- 19 There are no equality and diversity issues to take into consideration in relation to these proposals as they are simply implementing the changes that have already been made by the Order. A full impact assessment was not undertaken for this Order as the Ministry of Justice advised the LSB that this was not required and as a deregulatory measure the s69 consultation went through the 'fast track Regulatory Triage Assessment'<sup>3</sup>

#### Consumer impact

- 20 There is no impact on consumers of legal services as a result of the proposed amendments to our regulatory arrangements.

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Jackie Corcoran, Interim Legal Policy Manager, Legal Policy

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<sup>3</sup>[http://www.legalservicesboard.org.uk/what\\_we\\_do/consultations/open/pdf/20140416\\_Consultation\\_S69\\_Sole\\_Practitioners.pdf](http://www.legalservicesboard.org.uk/what_we_do/consultations/open/pdf/20140416_Consultation_S69_Sole_Practitioners.pdf)

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**Date** 2 July 2015

**Annex 1 – Draft SRA Amendments to Regulatory Arrangements (Recognised Sole Practices) Rules [2015]**

**If you have any questions about this paper please contact: Crispin Passmore, Executive Director, Regulation and Education. [crispin.passmore@sra.org.uk](mailto:crispin.passmore@sra.org.uk) 0121 329 6633.**

**Date: 2 July 2015**

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**[Draft] SRA Amendments to Regulatory Arrangements (Recognised Sole Practices) Rules [2015]**

Rules dated [date of LSB approval to be inserted] made by the Solicitors Regulation Authority Board, under Part I, Part II, sections 79 and 80 of the Solicitors Act 1974, sections 9 and 9A of the Administration of Justice Act 1985, section 89 of, and Schedule 14 to, the Courts and Legal Services Act 1990, section 83 of the Legal Services Act 2007 and The Legal Services Act 2007 (The Law Society) (Modification of Functions) Order 2015, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

**Rule 1**

The instruments referred to in column 1 of the table set out in Schedule 1 shall be amended in accordance with the corresponding entry in column 2.

**Rule 2**

The SRA Authorisation Rules for Legal Services Bodies and Licensable Bodies 2011 shall be amended in accordance with Schedule 2 where underlining indicates new text and striking through indicates deleted text.

**Rule 3**

These amendment rules come into force on 1 November 2015.

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**Schedule 1 to the [Draft] SRA Amendments to Regulatory Arrangements  
(Recognised Sole Practices) Rules [2015]**

<b>(1) Instrument</b>	<b>(2) Provision</b>
<p><b>SRA Principles 2011</b></p>	<p>(a) Replace paragraph 3.1(b)(iii) with "an <i>employee</i> in a <i>sole practitioner's practice</i> which should be a <i>recognised sole practice</i>, but has not been recognised by the SRA;"</p> <p>(b) Replace paragraph 3.1(e) with "any other person who is an <i>employee</i> in a <i>recognised sole practice</i>, or of a <i>sole practitioner</i> whose <i>practice</i> should be a <i>recognised sole practice</i>, but has not been recognised by the SRA;"</p> <p>(c) Delete paragraphs 7.3 and 7.4.</p>
<p><b>SRA Code of Conduct 2011</b></p>	<p>(a) In outcome 8.5 replace "<i>sole practitioner</i>" with "<i>a recognised sole practice</i>".</p> <p>(b) Replace paragraph 13.1(b)(iii) with "an <i>employee</i> in the <i>practice</i> of a <i>sole practitioner</i> which should be a <i>recognised sole practice</i>, but has not been recognised by the SRA;"</p> <p>(c) Replace paragraph 13.1(e) with "any other person who is an <i>employee</i> in the <i>practice</i> of a <i>sole practitioner</i> whose practice should be a <i>recognised sole practice</i>, but has not been recognised by the SRA;"</p> <p>(d) Delete Chapter 15.</p>
<p><b>SRA Account Rules 2011</b></p>	<p>(a) In the second sentence of Guidance note (i) to rule 4, replace "of" with "in", replace "practitioner" with "practice", and delete "s 1B and".</p> <p>(b) In the sixth sentence of Guidance note (i) to rule 6, replace "practitioner" with "practice" and replace "regulation 4.8(e) of the SRA Practising Regulations" with "Rule 8.5(e) of the SRA Authorisation Rules".</p>
<p><b>SRA Practice Framework Rules 2011</b></p>	<p>Under the heading "Introduction" in the third paragraph insert "and sole practitioners " after "bodies".</p> <p>Replace Rule 1.1(a) with "1.1(a) as a <i>sole practitioner</i> of a <i>recognised sole practice</i>;"</p> <p>Replace Rule 1.1(b) with "1.1(b) as a <i>solicitor</i> exempted</p>

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	<p>under Rule 10.2 from the obligation for the <i>solicitor's practice</i> to be a <i>recognised sole practice</i>;"</p> <p>In Rule 1.2(a) delete " (including a <i>recognised sole practitioner</i>)".</p> <p>In Guidance note (i) to Rule 1 insert " and recognised sole practices" after "Eligibility criteria and fundamental requirements for recognised bodies".</p> <p>Replace Rule 2.1(a) with "2.1(a) as a <i>sole practitioner of a recognised sole practice</i>;"</p> <p>Replace Rule 2.1(b) with "2.1(b) as an <i>REL</i> exempted under Rule 10.2 from the obligation for the <i>REL's practice</i> to be a <i>recognised sole practice</i>;"</p> <p>In Rule 2.2(a) delete " (including a <i>recognised sole practitioner</i>)".</p> <p>Delete Rule 3.1(a).</p> <p>In Rule 3.2(d) delete " a <i>recognised sole practitioner</i>, "</p> <p>In Guidance note (ii) to Rule 3 replace "sole practitioner" with "recognised sole practice".</p> <p>In Rule 5.1(d) delete " or by a <i>recognised sole practitioner</i>".</p> <p>In Rule 5.2(c) delete " or by a <i>recognised sole practitioner</i>".</p> <p>In Rule 6.1 delete " or an <i>employee of a recognised sole practitioner</i>".</p> <p>In Rule 7.1 delete " or an <i>employee of a recognised sole practitioner</i>".</p> <p>In the heading to Rule 8.7 replace "Sole practitioner firms" with "Recognised sole practices".</p> <p>In Rule 8.7 replace "Sole practitioner firms" with "Recognised sole practices".</p> <p>In Rule 8.7(a) replace "A <i>recognised sole practitioner</i> who is a <i>solicitor</i> is authorised by the <i>SRA</i>" with "A <i>recognised sole practice</i> in which the <i>sole practitioner</i> is</p>
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	<p>a <i>solicitor</i> is authorised by the SRA:".</p> <p>In Rule 8.7(a)(i) replace "<i>solicitor</i>" with "<i>sole practitioner</i>" and replace "<i>sole practitioner's firm</i>" with "<i>recognised sole practice</i>".</p> <p>In Rule 8.7(b) replace "A <i>recognised sole practitioner</i> who is an <i>REL</i> is authorised by the SRA" with "A <i>recognised sole practice</i> in which the <i>sole practitioner</i> is an <i>REL</i> is authorised by the SRA:".</p> <p>In Rule 8.7(b)(i) replace "<i>REL</i>" with "<i>sole practitioner</i>" and replace "<i>sole practitioner's firm</i>" with "<i>recognised sole practice</i>".</p> <p>Replace Rule 10.1(a) with "10.1(a) the SRA has authorised your <i>practice</i> as a <i>recognised sole practice</i>;"</p> <p>Delete Rule 10.1(b).</p> <p>In Rule 10.2 replace "For the purpose of 10.1(b) above you are exempt from the obligation to be a <i>recognised sole practitioner</i> if" with "If you are a <i>solicitor</i> or <i>REL</i> you will not be regarded as <i>practising as a sole practitioner</i> and you are exempt from the obligation for your <i>practice</i> to be a <i>recognised sole practice</i> if".</p> <p>In Rule 11.1(c) delete ":(i) a <i>recognised sole practitioner</i>, or (ii)".</p> <p>In Rule 12.1(a) delete "<i>recognised</i>".</p> <p>In the heading of Part 3 insert ", recognised sole practices" after "recognised bodies".</p> <p>In the heading of Rule 13, insert " and recognised sole practices" after "bodies".</p> <p>Insert a sub-heading "Recognised bodies" to Rule 13.1.</p> <p>In the sub-heading to Rule 13.2 insert " for a recognised body or recognised sole practice" after "Services requirement".</p> <p>In Rule 13.2 insert "or <i>recognised sole practice</i>" after "<i>recognised body</i>".</p> <p>Insert a sub heading "Recognised sole practices" after</p>
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	<p>Rule 13.2 and insert Rule 13.3 as follows:</p> <p>"13.3 A <i>sole practitioner's practice</i> is eligible to be a <i>recognised sole practice</i> if the sole practitioner:</p> <ul style="list-style-type: none"><li>(a) is a <i>solicitor or REL</i>;</li><li>(b) will be <i>practising as a sole practitioner</i> from an office in England and Wales; and</li><li>(c) is not, and is not about to be made, subject to a condition on his or her practising certificate or registration."<p>In the Guidance note to rule 15, after (i) insert:</p><p>"(ii) See also the requirements relating to the practising address of a recognised sole practice in Rule 6 of the SRA Authorisation Rules."</p><p>Replace the heading of Rule 16 with "Rule 16 Composition of a recognised body and a licensed body".</p><p>In Rule 16.1 replace "<i>authorised bodies</i>" with "<i>recognised bodies and licensed bodies</i>" and replace "<i>an authorised body</i>" with "<i>a recognised body or a licensed body</i>".</p><p>In Rule 18.1 insert "<i>or the sole practitioner</i>" after "<i>shareowners</i>".</p><p>Delete Rules 22.5, 22.6 and 22.7.</p></li></ul>
<p><b>SRA Practising Regulations 2011</b></p>	<p>In the Preamble delete the 2nd bullet point.</p> <p>Delete Regulation 1.6.</p> <p>In the Guidance note to Regulation 1, insert "or" after ";" in (iii)(a), delete (iii)(b) and renumber.</p> <p>In Regulation 3.1(a)(iii)(B) replace "<i>sole practitioner firm</i>" with "<i>recognised sole practice</i>".</p> <p>Replace Regulation 3.1(vi) with "3.1(vi) refused authorisation as a <i>recognised sole practice</i> under Rule 6 of the <i>SRA Authorisation Rules</i> or had such authorisation revoked under Rule 22.1 of the <i>SRA Authorisation Rules</i>;"</p>

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	<p>Delete Regulations 4 and 5.</p> <p>Replace Regulation 8.2 with "8.2 A person who is the subject of a <i>revocation</i>, under regulation 10.2(a)(i), (iii), (iv) or (v), of a <i>solicitor's</i> practising certificate has a right of appeal to the High Court."</p> <p>Replace Regulation 8.3 with "8.3 A <i>solicitor, REL</i> or <i>RFL</i> who is the subject of any of the following decisions may appeal under the <i>SRA's</i> own appeals procedure against:</p> <p>(a) refusal to revoke a practising certificate or registration under regulation 10.2(c); or</p> <p>(b) refusal to withhold a <i>solicitor's, European lawyer's</i> or <i>foreign lawyer's</i> place of business from the relevant register under regulation 11, 12 or 13."</p> <p>Delete Regulations 8.4(d), (j), (l).</p> <p>In Regulation 8.4(p) delete "(a) or (b)".</p> <p>In Regulation 8.5(a)(ii) delete " including, where applicable, the renewal of an existing authorisation as a <i>recognised sole practitioner</i> endorsed on the practising certificate or registration".</p> <p>Delete Regulations 9.1(d) and 9.2(d).</p> <p>Delete the Guidance note to Regulation 9.</p> <p>Delete Regulation 10.1(d).</p> <p>Delete Regulation 10.2(b).</p> <p>In Regulation 10.2(c) replace "," with " or" after "certificate" and delete ", or authorisation as a <i>recognised sole practitioner</i>".</p> <p>Replace Regulation 10.3(a) with "10.3(a) When the <i>SRA</i> decides to revoke a practising certificate or registration under 10.2(a)(i), (iii), (iv) or (v) it must give the person concerned 28 days notice, with reasons. The notice may be given together with notification of refusal of an application to replace a practising certificate or renew a registration.</p> <p>Delete the Guidance note to Regulation 10.</p>
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	<p>Delete Regulation 11.2(g).</p> <p>In Regulation 11.3(b) delete "or authorisation as a <i>recognised sole practitioner</i>".</p> <p>Delete Regulation 12.2(h).</p> <p>In Regulation 12.3(b) delete "or authorisation as a <i>recognised sole practitioner</i>".</p> <p>In Regulation 13.2(h) replace "<i>recognised sole practitioner</i>" with "<i>recognised sole practice</i>".</p> <p>In Regulation 14.1(c) insert " and" after ";", delete Regulation 14.1(d).</p> <p>In Regulation 15.1(g) insert at the end of (iii) "; (iv) in relation to a solicitor or REL, a <i>sole practitioner</i>".</p> <p>In Regulation 16.1(b) replace "<i>recognised sole practitioner</i>" with "<i>recognised sole practice</i>".</p> <p>Delete Regulation 19.</p>
<p><b>Solicitors Keeping of the Roll Regulations 2011</b></p>	<p>In the heading of Part 4, delete " and transitional arrangements".</p>
<p><b>SRA Handbook Glossary 2012</b></p>	<p>Replace the definition of "<b>applicant</b>" with:</p> <p><b>"applicant</b> means</p> <p>(i) for the purposes of the <i>SRA Compensation Rules</i> a person or persons applying for a grant out of the Compensation Fund under Rule 3 of the <i>SRA Compensation Fund Rules</i>; and</p> <p>(ii) for the purposes of the <i>SRA Authorisation Rules</i> a <i>licensable body</i> or a <i>legal services body</i> that, or a <i>sole practitioner</i> who, makes an application to the SRA for <i>authorisation</i>."</p> <p>Delete the definition of "<b>applicant body</b>".</p> <p>In the definition of "<b>authorisation</b>" in paragraph (i) delete "and", insert "(ii) recognition under section 9 of the <i>AJA</i>, if it is granted to a <i>sole practitioner</i>, and", and</p>

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	<p>renumber.</p> <p>Replace the definition of "<b>authorised body</b>" with:</p> <p><b>"authorised body</b></p> <p>means:</p> <p>(i) a body that has been authorised by the <i>SRA</i> to practise as a <i>licensed body</i> or a <i>recognised body</i>; or</p> <p>(ii) a <i>sole practitioner's practice</i> that has been authorised by the <i>SRA</i> as a <i>recognised sole practice</i>".</p> <p>In the definition of "<b>connected practice</b>" delete in the first sentence", or a recognised sole practitioner in England and Wales," and delete in paragraph (iii) " or recognised sole practitioner".</p> <p>In the definition of "<b>firm</b>" replace paragraph (i) with "(i) save as provided in paragraphs (ii) and (iii) below, an <i>authorised body</i> or a body or <i>person</i> which should be authorised by the <i>SRA</i> as a <i>recognised body</i> or whose practice should be authorised as a <i>recognised sole practice</i> (but which could not be authorised by another <i>approved regulator</i>); and for the purposes of the <i>SRA Code of Conduct</i> and the <i>SRA Account Rules</i> can also include in-house practice:".</p> <p>In the definition of "<b>legal services body</b>" replace "13" with "13.1" and delete "(Eligibility criteria and fundamental requirements for recognised bodies)".</p> <p>In the definition "<b>non-solicitor employer</b>" replace "<i>recognised sole practitioner</i>" with "<i>recognised sole practice</i>".</p> <p>In the definition of "<b>overseas practice</b>" delete all references to " or <i>recognised sole practitioner</i>".</p> <p>In the definition of "<b>practice</b>" in paragraph (iv)(A) replace "<i>recognised sole practitioner</i>" with "<i>recognised sole practice</i>", and in paragraph (vii) delete " or <i>recognised sole practitioner</i>".</p> <p>After the definition of "<b>recognised jurisdiction</b>" insert:</p> <p><b>"recognised sole practice"</b></p>
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	<p>means the <i>practice</i> of a sole <i>solicitor</i> or <i>REL</i> which is recognised by the <i>SRA</i> under section 9 of the <i>AJA</i>.</p> <p>In the definition of a "<b>regulated person</b>" after "(C) an <i>RFL</i>;" insert "(D) a <i>sole practitioner</i> in a <i>recognised sole practice</i>;" and renumber. Replace paragraph (I) with "an <i>employee</i> of, or in, an <i>authorised body</i>, a <i>solicitor</i>, or an <i>REL</i>; or". In paragraph J replace "H" with "I".</p> <p>In the definition of "<b>related authorised body</b>" delete all references to " or <i>recognised sole practitioner's firm</i>".</p> <p>In the definition of "<b>responsible authorised body</b>" delete " or recognised sole practitioner".</p> <p>Replace the definition of "<b>sole practitioner</b>" with:</p> <p><b>"sole practitioner</b></p> <p>means a <i>solicitor</i> or an <i>REL practising</i> as a sole principal in a <i>practice</i> (other than an incorporated <i>practice</i>) and does not include a <i>solicitor</i> or an <i>REL practising in-house</i>, save for the purposes of:</p> <p>(i) the <i>SRA Accounts Rules</i>, the <i>SRA Indemnity Insurance Rules</i> where references to "practising" are to be given their natural meaning; and</p> <p>(ii) the <i>SRA Authorisation Rules</i> where it includes (as the context may require) a <i>solicitor</i> or <i>REL</i> intending to <i>practise</i> as a sole principal in a <i>practice</i> (other than an incorporated <i>practice</i>)."</p> <p>In the definition of "<b>SRA Authorisation Rules</b>" delete " for <i>Legal Services Bodies</i> and <i>Licensable Bodies</i>".</p> <p>In the definition of "<b>you</b>" in paragraph (vi) delete all references to "<i>recognised sole practitioner</i>" and replace with "<i>recognised sole practice</i>", and in paragraphs (vi)(B)(III), (vi)(C)(VI) and (vi)(G) delete references to "who" and replace with "whose <i>practice</i>". In paragraph (vi)(G) replace "of" with "in".</p>
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Schedule 2 to the Draft SRA Amendments to Regulatory Arrangements (Recognised Sole Practices) Rules [2015]

## **SRA Authorisation Rules for ~~Legal Services Bodies and Licensable Bodies~~ 2011**

Rules dated 17 June 2011

commencing in respect of licensable bodies, on the designation of the Law Society as a licensing authority under Part 1 of Schedule 10 to the Legal Services Act 2007; and in respect of legal services bodies, on 31 March 2012

made by the Solicitors Regulation Authority Board, under sections 79 and 80 of the Solicitors Act 1974, sections 9 and 9A of the Administration of Justice Act 1985 and section 83 and Schedule 11 to the Legal Services Act 2007, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

### **Part 1: Interpretation and applications**

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#### **Rule 22: Interpretation**

22.1 The SRA Handbook Glossary 2012 shall apply and, unless the context otherwise requires:

- (a) all italicised terms shall be defined; and
- (b) all terms shall be interpreted,  
  
in accordance with the *Glossary*.

Guidance notes

- (i) The Glossary definition of "owner" relates to anyone holding a material interest, together with any person who is a partner in a partnership (including salaried partners) regardless of the extent of their interest.
- (ii) When assessing whether a person is an owner with a "material interest", the calculation of the person's interest takes into account not only that person's interest, but also the interests of any associates. "Associates" is defined for these purposes in accordance with paragraph 5 to Schedule 13 of the LSA and includes relationships where the Act assumes a likelihood of influence such as employer over employee.

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**Rule 23: Form, timing and fees for applications made under these rules**

23.2 All applications under these rules must comprise:

- (a) the *prescribed* form, correctly completed;
- (b) the fee or fees for the application, as determined from time to time by the *SRA* Board;
- (c) such additional information, documents and references considered by the *SRA* to be necessary to enable it to discharge its functions under these rules, as may be specified by the *SRA*; and
- (d) any additional information and documentation which the *SRA* may reasonably require.

23.3 It is not necessary to submit all documents, information and payments simultaneously, but an application will only have been made once the *SRA* has received all of the documentation, information and payments comprising that application.

Guidance notes

- (i) Application forms and guidance notes can be found on the *SRA* website.
- (ii) All parts of the application form must be fully completed. Where forms are only partially complete or where supporting information or documents are still to be provided, the application will not be deemed to have been made and the decision period in Rule 5.2 will not start to run.

**Rule 24: Application information and notification of any change following application**

24.4 The *applicant body* must:

- (a) ensure that all information given in an application under these rules is correct and complete;
- (b) notify the *SRA* as soon as it becomes aware that any information provided in its application under these rules has changed.

Guidance notes

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- (iii) During the application process an applicant ~~body~~ must notify the SRA of any changes to details or information provided as part of the application including notifying new information that the applicant ~~body~~ would have been required to supply if it had been known at the time of the application. It is an offence under the LSA (see Schedule 13 paragraphs 10-12) not to inform the SRA if there is any change to:
  - (a) the list of non-authorised persons who hold or are expected to hold a material interest in the applicant body, and
  - (b) the extent or nature of those interests held or to be held.
- (iv) Authorised bodies are subject to similar notification requirements under Rule 8.7.

## Part 2: Authorisation applications and decision period

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### Rule 25: Applications for authorisation

- 25.5 A *licensable body*, or a *legal services body* or a *sole practitioner* may make an application for *authorisation* in accordance with these rules.
- 25.6 An application by a *licensable body* for *authorisation* must include a statement about what *reserved legal activities* the body seeks *authorisation* for.
- 25.7 Where an application by a *licensable body* for *authorisation* relates to more than one *reserved legal activity*, the *SRA* may grant the application in relation to all or any of them.
- 25.8 An application by a *licensable body*, or *legal services body* or a *sole practitioner* for *authorisation* must notify the *SRA* of the practising address and, where different, the registered address, of any *overseas practices* for which it would, if authorised, be the *responsible authorised body*.

### Rule 26: Decision period

- 26.9 The *SRA* must:
  - (a) decide an *authorisation* application;
  - (b) notify the *applicant body* of its decision;
  - (c) if it decides to refuse the application, set out in the notice the reasons for the refusal;

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before the end of the *decision period*.

26.10 The *decision period* is the period of 6 months beginning with the day on which the application is made to the *SRA* in accordance with these rules.

26.11 The *SRA* may, on one occasion, give the *applicant body* a notice (an "extension notice") extending the *decision period* by a period specified in the notice.

26.12 But:

- (a) an extension notice must only be given before the time when the *decision period* would end, but for the extension notice; and
- (b) the total *decision period* must not exceed 9 months.

26.13 An extension notice must set out the reasons for the extension.

Guidance notes

- (i) See Rule 2.2 above for when an application is made.
- (ii) The *SRA* will extend the period for making a decision if it considers this necessary for the proper consideration of the application (see paragraph 2 of Schedule 11 to the *LSA*).
- (iii) The means of notice or notification can include any form of written electronic communication normally used for business purposes, such as emails.

**Rule 6: Determination of authorisation applications**

6.1 The *SRA* will determine applications for *authorisation*, so far as is reasonably practicable, in a way:

- (a) which is compatible with the *regulatory objectives* including the objective of improving access to justice; and
- (b) which the *SRA* considers most appropriate for the purpose of meeting those objectives.

6.2 The *SRA* may only grant an application for *authorisation* if the conditions in (a) to (d) below are met:

- (a) \_\_\_\_\_ if it is an application for recognition as a *recognised body*, the *applicant body* is a *legal services body*;

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- (a) (aa) if it is an application for recognition as a *recognised sole practice*, the *applicant*:
- (i) is a *solicitor* or *REL*;
  - (ii) will be practising as a *sole practitioner* from an office in England and Wales; and
  - (iii) is not, and is not about to be made, subject to a condition on his or her practising certificate or registration which would prohibit *practice* as a *sole practitioner*
- (b) if it is an application for a licence, the *applicant body* is a *licensable body*;
- (c) if it is a *partnership* or *sole principal*, the *applicant body* has adopted a name under which it is to be registered, and which complies with Chapter 8 (Publicity) of the *SRA Code of Conduct*; and
- (d) the *SRA* is satisfied that upon *authorisation*, the *authorised* body will be in compliance with the following rules:
- (i) SRA Indemnity Insurance Rules;
  - (ii) *SRA Compensation Fund Rules*;
  - (iii) Rule 8.5 (compliance officers), including any necessary approval of a *candidate* under Part 4;
  - (iv) Rule 8.6 (management and control) including any necessary approval of a *candidate* under Part 4; and
  - (v) Rules 15 (Formation, registered office and practising address), 16 (Composition of an authorised body) and 12 (Persons who must be "qualified to supervise") of the *SRA Practice Framework Rules*.
- 6.3 Notwithstanding that the conditions in 6.2 are met, the *SRA* may refuse an application for *authorisation* if:
- (a) it is not satisfied that the *applicant's body's managers* and *interest holders* are suitable, as a group, to operate or control a business providing regulated legal services;
- (a) ~~(a)~~ (aa) in the case of an application for recognition as a *recognised sole practice*, it is not satisfied that the *applicant* is suitable to operate and control a business providing regulated legal services;

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- (b) it is not satisfied that the *applicant's body's* management or governance arrangements are adequate to safeguard the *regulatory objectives*;
- (c) it is not satisfied that if the *authorisation* is granted, the *applicant body* will comply with the *SRA's regulatory arrangements* including these rules and any conditions imposed on the *authorisation*;
- (d) the *applicant body* has provided inaccurate or misleading information in its application or in response to any requests by the *SRA* for information;
- (e) the *applicant body* has failed to notify the *SRA* of any changes in the information provided in the application in accordance with Rule 3; or
- (f) for any other reason, the *SRA* considers that it would be against the public interest or otherwise inconsistent with the *regulatory objectives* to grant *authorisation*.

6.4 In reaching a decision under this rule, the *SRA* will take into account all the circumstances which the *SRA* considers to be relevant including, for the avoidance of doubt,

- (a) any relevant information regarding:
  - (i) the *applicant*, if it is an application for recognition as a *recognised sole practice*, or a *manager*, *employee* or *interest holder* of the *applicant body*;
  - (ii) any *persons* that such an *applicant*, *manager*, *employee* or *interest holder* is related to, affiliated with, or acts together with where the *SRA* has reason to believe that such *persons* may have an influence over the way in which the *applicant*, *manager*, *employee* or *interest holder* will exercise their role; and
- (b) any failure or refusal to disclose, or attempts to conceal relevant information.
- (c) if it is an application for recognition as a *recognised sole practice*, whether the *applicant* has sufficient skills or knowledge in relation to the operation and control of a business which provides regulated legal services.

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Guidance notes

- (i) In considering applications the SRA must comply with the regulatory objectives. Relevant information will therefore be construed widely and the SRA will take account of a broad range of factors. These will include not only issues relevant to the Part 4 approval process, but also factors such as the applicant's ~~body's~~ business and governance proposals.
- (ii) Where information is provided in respect of an application, the SRA will consider this to be misleading if, despite the fact that the information is accurate, there is a material omission.
- (iii) View the forms, SRA Suitability Test and the decision making criteria.

### Part 3: Conditions of authorisation

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#### Rule 7: Terms and conditions of authorisation

7.1 The *authorisation* of a body under these rules entitles:

- (a) a *recognised body* to undertake the activities set out in Rule 8.5 (reserved work and immigration work: recognised bodies) of the *SRA Practice Framework Rules*; ~~and~~
- (b) ~~a~~ *licensed body* to undertake the *reserved legal activities* and *immigration work* specified in the licence; ~~and~~
- (c) ~~a~~ *recognised sole practice* to undertake the activities set out in Rules 8.1, 8.2 and 8.3, as appropriate, of the *SRA Practice Framework Rules*.

7.2 Every *authorisation* is granted by the *SRA* subject to:

- (a) the general conditions in Rule 8; and
- (b) any further conditions imposed by the *SRA*, at the time of the grant of *authorisation* or at any time subsequently, in accordance with Rule 9.

Guidance notes

- (i) If a licensed body carries out a range of legal and non-legal activities (a multi-disciplinary practice or "MDP") the SRA's jurisdiction will not generally extend to cover the "non-legal" activities of the licensed body (unless covered by a specific condition on the licence). Such non-legal activities may be regulated

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by another regulator, and some activities may not fall within the regulatory ambit of any regulator. The SRA's jurisdiction may also not extend to some non-reserved legal activities in accordance with the terms of the licence.

## **Rule 8: General conditions on authorisation**

### **8.1 Regulatory compliance**

(a) An **authorised body** and its managers or the **sole practitioner** must ensure that:

(i) any obligations imposed from time to time on the **authorised body**, its **managers, employees, or interest holders** or the **sole practitioner** by or under the **SRA's regulatory arrangements** are complied with; and

(ii) any other statutory obligations imposed on the **authorised body**, its **managers, employees, or interest holders** or the **sole practitioner**, in relation to the body's business of carrying on **authorised activities**, are complied with.

(b) Without prejudice to the generality of sub-rule (a) above, an **authorised body** and its **managers** or the **sole practitioner** must agree to be subject to the **SRA Disciplinary Procedure Rules** and in particular the power of the **SRA** to:

(i) impose a written rebuke and publish details of a written rebuke or a decision to impose a penalty, in accordance with Rule 3 of those rules; and

(ii) conduct an internal appeal of a decision in accordance with Rule 11 of those rules,

subject to any right of appeal or challenge under those rules or any other enactment in relation to any action taken by the **SRA** under those rules.

(c) Nothing in Rule 8 or any other provision in the **SRA's regulatory arrangements** affects the generality of the condition in Rule 8.1.

### **8.2 Suitable arrangements for compliance**

(a) An **authorised body** must at all times have suitable arrangements in place to ensure that:

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- (i) \_\_\_\_\_ the body, its *managers* or the *sole practitioner*, and its employees comply with the *SRA's* regulatory arrangements as they apply to them, as required under section 176 of the *LSA* and Rule 8.1 above; and
- (ii) \_\_\_\_\_ the body, its *managers* or the sole practitioner, and its *employees*, who are *authorised persons*, maintain the *professional principles*.
- (b) A *licensed body* must at all times have suitable arrangements in place to ensure that, as required under section 90 of the *LSA*, the *employees* and *managers* and *interest holders* of that body who are *non-authorised persons* do nothing which causes or substantially contributes to a breach by the *licensed body* or its *employees* or *managers* of the *SRA's regulatory arrangements*.

8.3 Payment of periodical fees

- (a) Every *authorised body* must pay to the *SRA* the *prescribed* periodical fees applicable to that body by the *prescribed* date.
- (b) The *SRA* shall determine the amount of any fees required under these rules and the *SRA's* decision shall be final.
- (c) The *SRA* may prescribe from time to time a fee moderation process under which an *authorised body* may make an application, in accordance with sub-rules (d) to (l) below, for the *prescribed* periodical fees applicable to that body to be varied. A decision under this process shall be final.
- (d) The turnover of an *authorised body* for the purpose of determining the *prescribed* periodical fees applicable to that body is based on a historic turnover figure submitted to the *SRA*. Where in the 12 months following the submission of that figure an *authorised body* merges or splits, a notice of succession identifying all *authorised bodies*, ~~*recognised bodies*~~ and ~~*recognised sole practitioners*~~ affected by the merger or split and any resulting apportionment of the historic turnover figures for those *firms* will enable the *SRA* to ensure that the turnover figure on which the fee is based reflects the impact of the merger or split.
- (e) A turnover figure submitted to the *SRA* shall be calculated in accordance with the *SRA's prescribed* method of calculation.
- (f) An *authorised body* which has succeeded to the whole or a part of one or more *authorised bodies*, ~~*recognised bodies*~~ or ~~*recognised sole*~~

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*practitioners* must within 28 days of the change taking place deliver to the **SRA** a notice of succession in the *prescribed* form.

- (g) For the purposes of Rule 8.3(f), "succeeded" includes any taking over of the whole or any part of an *authorised body*, ~~*recognised body*~~ or ~~*recognised sole practitioner*~~, for value or otherwise.
- (h) An *authorised body* which:
  - (i) has split or ceded part of the *practice* to an *authorised body* and/or ~~*recognised body*~~ or ~~*recognised sole practitioner*~~, and
  - (ii) wishes this change to be considered by the **SRA** when determining the *authorised body's* next *prescribed* periodical fees applicable to that body

must within 28 days of the change taking place deliver to the **SRA** a notice of succession in the *prescribed* form.

- (i) A notice of succession delivered under these rules must:
  - (i) identify all *authorised bodies*, ~~*recognised bodies*~~ and ~~*recognised sole practitioners*~~ affected by the succession; and
  - (ii) provide details of any resulting apportionment of the turnover figures for those *authorised bodies*, ~~*recognised bodies*~~ and ~~*recognised sole practitioners*~~.
- (j) An *authorised body* delivering a notice of succession under these rules must seek the agreement of all affected *authorised bodies*, ~~*recognised bodies*~~ or ~~*recognised sole practitioners*~~ to the contents of the notice of succession.
  - (k) Where a notice of succession is delivered to the **SRA** which has not been agreed by all affected *authorised bodies*, ~~*recognised bodies*~~ or ~~*recognised sole practitioners*~~, the *authorised body* delivering the notice of succession shall be treated as having made an application for the **SRA** to apportion the turnover figures of the affected *authorised bodies*, ~~*recognised bodies*~~ or ~~*recognised sole practitioners*~~ for the purposes of determining the periodical fee, or the fee for renewal of recognition.

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(l) Before apportioning the turnover figures under Rule 8.3(k), the **SRA** will contact any affected **authorised body**, ~~**recognised body**~~ or ~~**recognised sole practitioner**~~ identified in the notice of succession who has not agreed with the notice of succession and may require the production of additional information.

8.4 Carrying on of activities

- (a) An **authorised body** may not carry on an activity unless through a body and individual who is authorised to carry on that activity.

8.5 Compliance officers

- (a) An **authorised body** must have suitable arrangements in place to ensure that its **compliance officers** are able to discharge their duties in accordance with these rules.
- (b) Subject to Rule 8.5(h), an **authorised body** must at all times have an individual:
- (i) who is the **sole practitioner**, a **manager** or an **employee** of the **authorised body**;
  - (ii) who is designated as its **COLP**;
  - (iii) who is of sufficient seniority and in a position of sufficient responsibility to fulfil the role; and
  - (iv) whose designation is approved by the **SRA**.
- (c) The **COLP** of an **authorised body** must:
- (i) take all reasonable steps to:
    - (A) ensure compliance with the terms and conditions of the **authorised body's authorisation** except any obligations imposed under the **SRA Accounts Rules**;
    - (B) ensure compliance with any statutory obligations of the body, its **managers**, **employees** or **interest holders** or the **sole practitioner** in relation to the body's carrying on of **authorised activities**; and

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- (C) record any failure so to comply and make such records available to the **SRA** on request; and
- (ii) in the case of a **licensed body**, as soon as reasonably practicable, report to the **SRA** any failure so to comply, provided that:
  - (A) in the case of non-material failures, these shall be taken to have been reported as soon as reasonably practicable if they are reported to the **SRA** together with such other information as the **SRA** may require in accordance with Rule 8.7(a); and
  - (B) a failure may be material either taken on its own or as part of a pattern of failures so to comply.
- (iii) in the case of a **recognised body** or **recognised sole practice**, as soon as reasonably practicable, report to the **SRA** any material failure so to comply (a failure may be material either taken on its own or as part of a pattern of failure so to comply).
- (d) Subject to Rule 8.5(i), an **authorised body** must at all times have an individual:
  - (i) who is the sole practitioner, a **manager** or an **employee** of the **authorised body**;
  - (ii) who is designated as its **COFA**;
  - (iii) who is of sufficient seniority and in a position of sufficient responsibility to fulfil the role; and
  - (iv) whose designation is approved by the **SRA**.
- (e) The **COFA** of an **authorised body** must:
  - (i) take all reasonable steps to:
    - (A) ensure that the body and its **managers** or the sole practitioner, and its employees comply with any obligations imposed upon them under the **SRA Accounts Rules**;
    - (B) record any failure so to comply and make such records available to the **SRA** on request; and
  - (ii) in the case of a **licensed body**, as soon as reasonably practicable, report to the **SRA** any failure so to comply, provided that:

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- (A) in the case of non-material failures, these shall be taken to have been reported as soon as reasonably practicable if they are reported to the **SRA** together with such other information as the **SRA** may require in accordance with Rule 8.7(a); and
  - (B) a failure may be material either taken on its own or as part of a pattern of failures so to comply.
- (iii) in the case of a **recognised body** or **recognised sole practice**, as soon as reasonably practicable, report to the **SRA** any material failure so to comply (a failure may be material either taken on its own or as part of a pattern of failure so to comply).
- (f) The **SRA** may approve an individual's designation as a **COLP** or **COFA** if it is satisfied, in accordance with Part 4, that the individual is a suitable person to carry out his or her duties.
  - (g) A designation of an individual as a **COLP** or **COFA** has effect only while the individual:
    - (i) consents to the designation;
    - (ii) in the case of a **COLP**:
      - (A) is not **disqualified** from acting as a **HOLP**; and
      - (B) is:
        - (I) a **lawyer of England and Wales**;
        - (II) an **REL**; or
        - (III) registered with the **BSB** under Regulation 17 of the European Communities (Lawyer's Practice) Regulations 2000 (SI 2000/1119);
- and is an **authorised person** in relation to one or more of the **reserved legal activities** which the body is authorised to carry on; and
- (iii) in the case of a **COFA**, is not **disqualified** from acting as a **HOFA**.

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(h) An *authorised body* is not required to comply with Rule 8.5(b)(i) where the individual designated as its *COLP*:

- (i) has been approved by the *SRA* as a *COLP* for a *related authorised body*; and
- (ii) is a *manager* or *employee* of that *related authorised body*.

(i) An *authorised body* is not required to comply with Rule 8.5(d)(i) where the individual designated as its *COFA*:

- (i) has been approved by the *SRA* as a *COFA* for a *related authorised body*; and
- (ii) is a *manager* or *employee* of that *related authorised body*.

#### 8.6 Management and control

(a) An *authorised body* must ensure that:

- (i) any *manager* or *owner* of the *authorised body*; or
- (ii) any *manager* of a *body corporate* which is a *manager* or *owner* of the *authorised body*;

has been approved by the *SRA* under Part 4.

(b) No *manager* of a *licensed body* may be a *person* who is *disqualified* from being a *manager*.

(c) An *authorised body* (or *manager* or *employee* of such a body) must not employ or remunerate a person:

- (i) who is subject to an order under sSection 43 of the *SA*, without the *SRA's* written permission;
- (ii) whose name has been struck off the roll, who is suspended from *practising* as a *solicitor*, or whose practising certificate has been suspended whilst he/she is an undischarged bankrupt, without the *SRA's* written permission;

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- (iii) if there is a direction in force in respect of that person under section 47(2)(g) of the **SA** (Prohibition on restoration to the roll), without the **SRA's** written permission; or
- (iv) who is **disqualified** from being an **employee**.
  - (d) No **licensed body** (or **manager** or **employee** of such a body) may, except in accordance with the **SRA's** written permission, permit an individual to be a **manager** or **owner** of the body if:
    - (i) that person's name has been struck off the roll;
    - (ii) he/she is suspended from **practising** as a **solicitor**;
    - (iii) his/her practising certificate has been suspended whilst he/she is an undischarged bankrupt;
    - (iv) there is a direction in force in respect of that person under section 47(2)(g) of the **SA** (Prohibition on restoration to the roll); or
    - (v) there is an order in force in respect of that individual under section 43 of the **SA** (Control of solicitors' employees and consultants).
      - (e) No **recognised body** (or **manager** or **employee** of such a body) may, except in accordance with the **SRA's** written permission, permit an individual to be a **manager** or **interest holder** of the body if:
        - (i) that person's name has been struck off the roll;
        - (ii) he/she is suspended from **practising** as a **solicitor**;
        - (iii) his/her practising certificate has been suspended whilst he/she is an undischarged bankrupt;
        - (iv) there is a direction in force in respect of that person under section 47(2)(g) of the **SA** (Prohibition on restoration to the roll); or
        - (v) there is an order in force in respect of that person under section 43 of the **SA** (Control of solicitors' employees and consultants).

8.7 Information requirements

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- (a) An *authorised body* must properly complete and provide to the *SRA* an information report on an annual basis or such other period as specified by the *SRA* in the *prescribed* form and by the *prescribed* date.
- (b) An *authorised body* must provide any necessary permissions for information to be given to the *SRA* so as to enable it to:
  - (i) use and prepare a report on the documents produced under (a) above; and
  - (ii) seek verification from *clients, employees, managers* or any other body including banks, building societies or other financial institutions.
- (c) An *authorised body* must notify the *SRA* as soon as it becomes aware of any changes to relevant information about itself, its *employees, managers, or interest holders* including any non-compliance with these rules and the conditions on the body's *authorisation*.
- (d) If an *authorised body* becomes aware or has information that reasonably suggests that it has or may have provided the *SRA* with information which was or may have been false, misleading, incomplete or inaccurate, or has or may have changed in a materially significant way, it must notify the *SRA* immediately.

#### 8.8 Additional conditions for partnerships

If a *partner* in a *partnership* which is an *authorised body*:

- (i) is committed to prison in civil or criminal proceedings;
- (ii) becomes and continues to be unable to attend to the *practice* of the body because of incapacity caused by illness, accident or age;
- (iii) becomes and continues to be a *person who lacks capacity under Part 1 of the Mental Capacity Act 2005*;
- (iv) abandons the *practice* of the body; or

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- (v) is made subject to a condition on his or her practising certificate, registration or equivalent authorisation by an *approved regulator* other than the *SRA* which would be breached by continuing as a *partner*;

and this results in there being only one active *partner*, that *partner* must inform the *SRA* within seven days of the relevant event.

#### 8.9 Additional conditions for recognised bodies

- (a) An *interest holder* of a *recognised body* must not create any charge or other third party interest over his or her interest in the *recognised body* except a *member* or *shareowner* of a *company* may hold a share as nominee for a non-*member shareowner* who is able to hold an interest in the body in compliance with Rule 8.6.
- (b) If the only, or last remaining:
- (i) *solicitor* or *REL* whose role in a *recognised body* ensures compliance with the *lawyer manager* requirement under Rule 13.1(a) (relevant lawyer requirement) of the *SRA Practice Framework Rules*, or
- (ii) *lawyer of England and Wales*, *lawyer* of an *Establishment Directive profession* or *RFL* whose role in the body ensures compliance with Rule 13.1(b) (management and control requirement) of the *SRA Practice Framework Rules*,

is subject to any of the following events:

- (A) is committed to prison in civil or criminal proceedings;
- (B) becomes and continues to be unable to attend to the *practice* of the body because of incapacity caused by illness, accident or age;
- (C) becomes and continues to be a *person who lacks capacity under Part 1 of the Mental Capacity Act 2005*;
- (D) abandons the *practice* of the body; or
- (E) is made subject to a condition on his or her practising certificate or registration which would be breached by continuing to be a *manager* of the body;

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the body must inform the **SRA** within seven days of the relevant event and must within 28 days of the relevant event either ensure that the body becomes a **legal services body** again without reference to that person, or cease to **practise**.

#### 8.10 Additional conditions for licensed bodies

If the only, or last remaining, **manager** of a **licensed body** who is:

- (i) a **solicitor** with a current practising certificate;
- (ii) an **REL**;
- (iii) a **lawyer of England and Wales** and who is authorised by an **approved regulator** other than the **SRA**; or
- (iv) registered with the **BSB** under regulation 17 of the European Communities (Lawyer's Practice) Regulations 2000 (SI 2000/1119)

is subject to any of the following events:

- (A) is committed to prison in civil or criminal proceedings;
- (B) becomes and continues to be unable to attend to the **practice** of the body because of incapacity caused by illness, accident or age;
- (C) becomes and continues to be a person who lacks capacity under Part 1 of the Mental Capacity Act 2005;
- (D) abandons the **practice** of the body; or
- (E) is made subject to a condition on his/her practising certificate, registration or equivalent **authorisation** by an **approved regulator** other than the **SRA** which would be breached by continuing to be a **manager** of the body;

the body must inform the **SRA** within seven days of the relevant event and must within 28 days of the relevant event either ensure that the body becomes a **licensable body** again without reference to that person, or cease to **practise**.

#### 8.11 Condition relating to the cessation period for indemnity purposes

- (a) When an **authorised body** becomes subject to cover under the **cessation period**, it must immediately, and for the duration of the

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*cessation period*, desist from carrying out any *legal activities*, save that it may undertake work required to discharge its obligations within the scope of *existing instructions*, or which is necessary in connection with the discharge of such obligations.

#### Guidance notes

- (i) Rule 8.1 is to be read in conjunction with the obligations under sections 90 and 176 of the LSA. These require individuals and bodies regulated by the SRA to comply with its regulatory arrangements (reflected in Rule 19.1 of the SRA Practice Framework Rules), and for non-authorized employees, managers and interest holders of licensed bodies not to do anything which causes or substantially contributes to a breach of that requirement. In addition, Rule 8.2 requires the body to have suitable arrangements in place to ensure compliance with these provisions.
- (ii) The SRA's outcomes focused approach to regulation means that the SRA will take into account all of the circumstances relevant to any issue of compliance, whether in relation to the regulatory arrangements or in respect of statutory obligations on firms and those in them. This will include taking into account the evidence that firms and individuals can produce to demonstrate their efforts to ensure compliance (by themselves or others).
- (iii) Rule 8.2 deals with the need for firms to have suitable arrangements for compliance (see also Chapter 7 of the SRA Code of Conduct (Management of your business)). What needs to be covered by a firm's compliance plan will depend on factors such as the size and nature of the firm, its work and its areas of risk. Firms will need to analyse the effectiveness of their compliance arrangements before applying for authorisation and monitor effectiveness on an on-going basis once authorised. Common areas for consideration will include:
  - (a) clearly defined governance arrangements providing a transparent framework for responsibilities within the firm;
  - (b) appropriate accounting procedures;
  - (c) a system for ensuring that only the appropriate people authorise payments from client account;

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- (d) a system for ensuring that undertakings are given only when intended, and compliance with them is monitored and enforced;
  - (e) appropriate checks on new staff or contractors;
  - (f) a system for ensuring that basic regulatory deadlines are not missed e.g. obtaining or delivery of the firm's accountant's report (in accordance with rule 32 of the SRA Accounts Rules 2011), arranging indemnity cover, renewal of practising certificates and registrations, renewal of all lawyers' licences to practise and provision of regulatory information;
  - (g) a system for monitoring, reviewing and managing risks;
  - (h) ensuring that issues of conduct are given appropriate weight in decisions the firm takes, whether on client matters or firm-based issues such as funding;
  - (i) file reviews;
  - (j) appropriate systems for supporting the development and training of staff;
  - (k) obtaining the necessary approvals of managers, owners and COLP/COFA;
  - (l) arrangements to ensure that any duties to clients and others are fully met even when staff are absent.
- (iv) Rule 8.4 confirms the legal position that for a firm to provide services to clients, the services/activities must be covered by the terms of its authorisation and, where it is a reserved legal activity such as litigation, the firm must have a manager or an employee who is authorised to do that work. For example, a firm cannot provide litigation services, even if its licence permits it to, if its only lawyer is a licensed conveyancer. In situations where a firm loses a lawyer who is responsible for supervising the work of non-lawyers, the firm will need to consider whether the reserved legal work can still be carried out until the situation is remedied.
- (v) Rule 8.5 requires all authorised bodies to have a COLP and a COFA. For COLPs and COFAs of licensed bodies, compliance with their obligations under Rule 8.5 will assist in complying with their duties as

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Head of Legal Practice and Head of Finance and Administration under sections 91 and 92 respectively of the LSA.

- (vi) The roles of COLP and COFA are a fundamental part of a firm's compliance and governance arrangements. COLPs' and COFAs' ability to take the steps they need to ensure compliance is dependent on the firm having suitable arrangements in place under Rule 8.2. The firm must therefore ensure that any person designated as its COLP or COFA is of sufficient seniority, in a position of sufficient power and responsibility and has clear reporting lines to enable them to have access to all management systems and arrangements and all other relevant information including client files and business information. The existence of compliance officers in a firm and the requirements on them to ensure that the firm, as well as its managers and employees, are complying with the regulatory arrangements (COLP) and the SRA Accounts Rules (COFA) is not a substitute for the firm's and managers' responsibilities and their obligations to comply with Rule 8.1 (Regulatory compliance). Firms and managers need to take care not to obstruct, whether intentionally or unwittingly, a COLP or COFA in fulfilling their role.
- (vii) COLPs and COFAs are responsible for ensuring that the firm has systems and controls in place to enable the firm, as well as its managers and employees and anyone who owns any interest in the firm, to comply with the requirements on them. The firm and its managers are not absolved from any of their own obligations and remain fully responsible for compliance (see Rule 8.1).
- (viii) Those designated as COLP will need to be in a position to be able to discharge the role. They will need to consider whether they are in a position to, for example:
  - (a) take all reasonable steps to ensure compliance with the terms of the firm's authorisation; compliance with the SRA's regulatory arrangements by the firm, its employees and managers; and with relevant statutory obligations e.g.
  - (A) that non-authorised persons comply with the duty imposed by section 90 of the LSA (duty not to do anything which causes or substantially contributes to a breach of the SRA's regulatory arrangements by an authorised body or its employee or manager);

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- (B) that authorised persons and other managers and employees comply with the duty imposed by section 176 of the LSA (duty to comply with the SRA's regulatory arrangements);
  - (C) under the LSA, AJA and the SA in respect of practice matters;
- (b) in the case of a licensed body, as soon as reasonably practicable, report to the SRA any failure to comply. Where such failure is material, either on its own or because it forms part of a pattern, the immediacy of the report will depend on the circumstances and seriousness of the breach. Where such failure is neither material of itself nor because it forms part of a pattern of non-compliance, the report need not be made until the annual information report under Rule 8.7.
  - (c) in the case of a recognised body, as soon as reasonably practicable, report to the SRA any material failure to comply, whether such failure is material either on its own or because it forms part of a pattern of non-compliance. The immediacy of the report will depend on the circumstances and seriousness of the breach.
- (ix) Those designated as COFA will need to be in a position to be able to discharge the role. They will need to consider whether they are in a position to, for example:
    - (a) ensure that they have access to all accounting records;
    - (b) carry out regular checks on the accounting systems;
    - (c) carry out file and ledger reviews;
    - (d) ensure that the reporting accountant has prompt access to all the information needed to complete the accountant's report;
    - (e) take steps to ensure that breaches of the SRA Accounts Rules are remedied promptly;
    - (f) monitor, review and manage risks to compliance with the SRA Accounts Rules;

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- (g) in the case of a licensed body, as soon as reasonably practicable report to the SRA any failure to comply with the SRA Accounts Rules. Where such failure is material, either on its own or because it forms part of a pattern, the immediacy of the report will depend on the circumstances and seriousness of the breach. The report need not be made until the annual information report under Rule 8.7 where such failure is neither material of itself nor because it forms part of a pattern of non-compliance.
- (h) in the case of a recognised body or recognised sole practice, as soon as reasonably practicable, report to the SRA any material failure to comply with the SRA Accounts Rules, whether such failure is material either on its own or because it forms part of a pattern of non-compliance. The immediacy of the report will depend on the circumstances and seriousness of the breach.
- (x) In considering whether a failure is "material", the COLP or COFA, as appropriate, will need to take account of various factors, such as:
  - (a) the detriment, or risk of detriment, to clients;
  - (b) the extent of any risk of loss of confidence in the firm or in the provision of legal services;
  - (c) the scale of the issue;
  - (d) the overall impact on the firm, its clients and third parties.In addition, the COLP/COFA will need to keep appropriate records of failures in compliance to:
  - (e) monitor overall compliance with obligations;
  - (f) assess the effectiveness of the firm's systems;
  - (g) be able to decide when the need has arisen to report breaches which are material because they form a pattern.
- (xi) In developing their governance and administrative arrangements firms will need to consider how they approach unexpected risks such as the absence of key staff, including COLP and COFA, and whether the nature of the absence will trigger the need to notify the SRA (see Rule 8.7) and to obtain approval for a replacement.

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- (xii) The core statutory obligations of a recognised body and a recognised sole practice are contained in the AJA and the SA and those for licensed bodies are contained in sections 90 and 176 of the LSA. An important aspect of the roles of COLP and COFA is the need to report breaches to the SRA. Although it will commonly be appropriate for the firm to take steps to remedy breaches immediately, this does not obviate the need for compliance officers to record the breach and make a report in compliance with Rule 8.5 where appropriate.
- (xiii) Approval (see Rules 8.5 and 8.6) relates only to the role for which it is granted. Any change from one role that requires approval to another, will require a further approval. Firms need to ensure that they notify the SRA of any changes and, where necessary, apply for appropriate approval, for example where an employee develops into the role of manager, or an owner's participation amounts to being a manager.
- (xiv) The scope of the duty in Rule 8.6(c) is beyond the strict employer-servant relationship (contract of service) and includes a relationship founded on a contract for services or indirect arrangements which are intended to have the effect of frustrating this rule.
- (xv) Rule 8.7 imposes information requirements on authorised bodies. As well as the annual information report, firms must update the SRA by giving details of general changes that occur in respect of the firm. For example, if any of the circumstances referred to in Rule 8.8 occur in relation to any manager or person who has a significant role or responsibility in the firm, the SRA should be notified. Reporting and information requirements that apply to individuals or firms include:
  - (a) SRA requirements
    - (A) Rules 3, 8.7, 8.8, 8.9 and 8.10 and 18, 23, 24 and 25 of these rules;
    - (B) Rule 18 of the SRA Practice Framework Rules;
    - (C) Rule 32 of the SRA Accounts Rules;
    - (D) Regulations 1.2, 4.3, 4.5, 4.8, 4.12 and 15 of the SRA Practising Regulations;
    - (E) Chapter 10 of the Code of Conduct;

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- (F) Rule 17.3 of the SRA Indemnity Insurance Rules 2013 or any subsequent rules thereto;
  - (G) Rule 3.2 of the SRA Overseas Rules (and, to note in particular the obligation to notify the SRA where partners, managers, members, solicitor employees or other professionally qualified staff of an overseas practice are subject to a criminal conviction or disciplinary finding, and if the practice itself is in serious financial difficulty).
- (b) Statutory requirements
- (A) Section 84 of the SA (notification of a solicitor's place of business);
  - (B) Paragraph 21 of Schedule 13 to the LSA (non-authorised persons proposing to acquire an interest in a licensed body have continuing notification requirements. Note, it is an offence to fail to comply with the section 21 notification requirements).

(xvi) The purpose of Rule 8.9(a) is to ensure that control of a recognised body remains solely in the hands of persons who are eligible to be members, and that there is no breach of the management and control condition.

## Rule 9: Further conditions

9.1 The **SRA** may at any time impose one or more further conditions on an **authorisation** if it considers:

(a) \_\_\_\_\_ that:

- (i) \_\_\_\_\_ the condition would limit, restrict, halt or prevent an activity or activities on the part of the **authorised body** body, or of a **manager**, **employee**, or **interest holder** of the body or the **sole practitioner**, which is putting or is likely to put at risk the interests of **clients**, third parties or the public;
- (ii) \_\_\_\_\_ the condition would prevent or limit the activities of a **manager** or **employee** of the body or the **sole practitioner**, who is considered unsuitable to undertake a particular activity, either at all or save as specified in the condition;

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- (iii) \_\_\_\_\_ the condition would limit, halt or prevent a risk to *clients*, third parties or the public arising from a business agreement or association which the ~~body~~ *authorised body* has or is likely to enter into, or a business practice which the body has or is likely to adopt;
- (iv) \_\_\_\_\_ a *relevant insolvency event* has occurred in relation to the body, or the *sole practitioner* is made the subject of bankruptcy proceedings or makes a proposal for an individual voluntary arrangement, but the *SRA* does not propose at that time to suspend or revoke the *authorisation* under Rule 22;
- (v) \_\_\_\_\_ the condition is necessary to facilitate effective monitoring by the *SRA* of compliance with its *regulatory arrangements* on the part of the ~~body~~ *authorised body*, its *managers*, *employees* or *interest holders* or the *sole practitioner*;
- (vi) \_\_\_\_\_ the *SRA* considers that imposing the condition will require the ~~body~~ *authorised body* concerned to take specified steps conducive to the proper, effective or efficient carrying on of a *legal activity* by that body; or
- (vii) \_\_\_\_\_ the *SRA* considers that imposing a condition is necessary in order to ensure compliance with the *regulatory objectives*;

and

- (b) that it is in the public interest to impose the condition.

9.2 A condition imposed under Rule 9.1 takes effect from the date on which the condition is imposed unless otherwise specified by the *SRA*.

Guidance note

- (i) Rule 9.1 permits the SRA to impose conditions "at any time", if certain criteria are met. This includes on the approval of a person under Part 4 of these rules or at the time of modification of the terms of an authorisation under Rule 10.
- (ii) The SRA may impose conditions on an authorised body in response to concerns about an overseas practice, in respect of the body's conduct as a responsible authorised body. This might include, for example, where the overseas practice is providing reserved legal activities when it is not authorised to do so and this is within the knowledge of the authorised body.

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**Rule 10: Modification of terms and conditions of an authorisation**

10.1 The **SRA** may at any time, modify:

- (a) any terms that specify the *reserved legal activities* that an *authorised body* is entitled to carry on by virtue of the *authorisation*:
  - (i) on the application of the *authorised body*; or
  - (ii) if the **SRA** considers it appropriate to do so, without such an application being made; andhaving regard to the *regulatory objectives*;
- (b) any further conditions of an *authorisation*, imposed under Rule 9:
  - (i) on the application of the *authorised body*; or
  - (ii) if the **SRA** considers it appropriate to do so, without such an application being made; andhaving regard to the criteria in Rule 9.

Guidance notes

- (i) The certificate of authorisation of a licensed body will set out the reserved activities that the body is entitled to carry out. A licensed body may apply to change the categories of those activities at any time, or the SRA may do so (see also Rule 10), for example if the body no longer carries out that type of work or if there is an identified risk to the public in the body continuing to provide certain services (see section 86 of the LSA). Firms are also able to apply for a waiver of these rules, including the general conditions in Rule 8 (except Rule 8.1), under Rule 12 (Waivers).
- (ii) Authorised bodies are authorised to carry out non-reserved legal activities as well as the reserved activities for which they are authorised.
- (iii) Multi-disciplinary practices which provide a range of different services, some only of which are regulated by the SRA, will need to ensure that it is clear, both within and outside the firm, through which part of the business (and therefore under which regulatory system) non-legal services are provided. (See Chapter 8 of the SRA Code of Conduct.)

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### **Rule 11: Regulatory conflict**

11.1 If a conflict arises between:

- (a) a requirement imposed:
  - (i) on an *authorised body* or on an *employee* or *manager* of the body by the *SRA* as the regulator of that body, and
  - (ii) on an individual *manager* or *employee* of that body by another *approved regulator*;

then the requirement imposed by the *SRA* prevails over the requirement imposed by the other *approved regulator*;

- (b) a requirement imposed:
  - (i) on an *authorised non-SRA firm* or on an *employee* or *manager* of the firm by another *approved regulator* as the regulator of that firm, and
  - (ii) on an individual *manager* or *employee* of that firm by the *SRA*;

then the requirement imposed by the other *approved regulator* prevails over the requirement imposed by the *SRA*.

### **Rule 12: Waivers**

12.1 Subject to Rule 12.2 below and to provisions in any enactments or the *SRA's regulatory arrangements* affecting its ability to waive any requirements, the *SRA* shall have power to waive in writing the provisions of these rules for a particular purpose or purposes expressed in such waiver, and to attach conditions to or revoke such waiver, at its own discretion.

12.2 The *SRA* shall not have power to waive any of the provisions of Rule 8.1 with respect to any *authorised bodies*.

12.3 The *SRA* shall not have power to grant a waiver under Rule 12 in respect of the *reserved legal activities* that an *authorised body* is entitled to carry on or any conditions of *authorisation* imposed under Rule 9.

#### Guidance notes

- (i) A waiver cannot be granted where to do so would run counter to the overall purpose of the rule. In addition, many of the requirements set out in various Acts such as the LSA and AJA are mandatory

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provisions which, in spite of Rule 12, the SRA does not have the power to waive. The following are examples from the LSA:

- (a) Management
  - (A) Schedule 11 paragraph 11-14 - the rules must include that a licensed body must at all times have an individual designated as Head of Legal Practice and one designated as Head of Finance and Administration (in these rules referred to as COLP and COFA). This designation must be approved by the SRA, which must be satisfied that the designated individuals are suitable to carry out the duties. Rule 8.5 reflects this and therefore cannot be waived;
  - (B) Schedule 11 paragraph 17 - rules must provide that the licensed body must at all times have suitable arrangements in place to ensure that it, its managers and employees comply with the regulatory arrangements, and that any employees carrying out legal activities will maintain the professional principles. Rule 8.1 reflects this and therefore cannot be waived.
- (b) Duration, suspension, modification and revocation of licence
  - (A) Schedule 11 paragraph 26(1) - rules must provide criteria for the SRA to use in deciding whether to suspend, revoke or end the suspension of a licence. Rule 22 reflects this and therefore cannot be waived.
- (ii) A waiver of these rules "in writing" includes any form of written electronic communication normally used for business purposes, such as emails.

## **Part 4: Approval of managers, owners and compliance officers**

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### **Rule 13: Application for approval**

13.1 This Part governs the **SRA's** determination of applications for:

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- (a) approval of an *authorised body's managers* and *owners* pursuant to Rule 8.6(a); and
  - (b) approval of an *authorised body's compliance officers*, pursuant to Rule 8.5(b) and (d).
- 13.2 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;
    - (ii) an *authorised body*;
    - (iii) an *REL*; or
    - (iv) an *RFL*;
  - (b) there is no condition on the *person's* practising certificate, registration 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 at least seven days 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.

**Rule 14: Approval process and production of information or documentation**

- 14.1 An application for approval of a *manager*, *owner* or *compliance officer* may be made by an *applicant body* or an *authorised body* and must include evidence to satisfy the **SRA** that the *candidate* is suitable to be a *manager*, *owner* or *compliance officer* of the body, as appropriate.
- 14.2 The *applicant body* or *authorised body*, as appropriate, must:
- (a) co-operate, and secure the co-operation of the *candidate*, to assist the **SRA** to obtain all information and documentation the **SRA** requires in order to determine the application;
  - (b) obtain all other information and documentation in relation to the *candidate* which the *prescribed* form requires the body to obtain and keep; and

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- (c) keep all information and documentation under (b) above for a period of not less than 6 years after the *person* concerned has ceased to be a *manager*, *owner* or *compliance officer* of the body.
- 14.3 The *candidate* must declare in the application that the information supplied about them is correct and complete.
- 14.4 The *SRA's* decision to approve or refuse approval must be notified in writing to the *applicant body* or *authorised body* as appropriate, and separately to the *candidate*, as soon as possible.
- 14.5 The *SRA* may, at the time of granting its approval or at any time subsequently:
  - (a) approve the holding of a *material interest* in a *licensed body* subject to conditions in accordance with paragraphs 17, 28 or 33 of Schedule 13 to the *LSA*; and
  - (b) make its approval of a *person* to be an *owner*, *manager* or *compliance officer* of an *authorised body* subject to such conditions on the body's *authorisation* as it considers appropriate having regard to the criteria in Rule 9.
- 14.6 If the *SRA* proposes to object to a *candidate* becoming an *owner* of an *applicant body* or *authorised body*, or to approve such a *person* becoming an *owner* subject to conditions imposed under Rule 14.5(a) or (b), the *SRA* must:
  - (a) give the *candidate* and the body a warning notice which:
    - (i) specifies the *SRA's* intention to object or to impose conditions; and
    - (ii) states that any representations must be made to the *SRA* within the period of 28 days from the date of the notice; and
  - (b) consider any representations made to the *SRA* by the body and/or the *candidate* within the 28 day period in (a)(ii) above.
- 14.7 The *SRA* may issue a conditional approval or objection without a warning notice under Rule 14.6 if the application for approval has been made after the grant of *authorisation* and the *SRA* considers it necessary or desirable to dispense with the warning notice for the purpose of protecting any of the *regulatory objectives*.
- 14.8 The *SRA* may at any time require the production of information or documentation from:
  - (a) a *person* who has been approved as an *owner*, *manager* or *compliance officer* under this Part (including a deemed approval under Rule 13.2);

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- (b) an *authorised body* of which that *person* is a *manager*, *owner* or *compliance officer*; or
  - (c) the body which originally obtained approval for that *person* and holds information and documentation under Rule 14.2(c);
- in order to satisfy the *SRA* that the *person* met, meets, or continues to meet the criteria for approval.

Guidance notes

- (i) See also the guidance notes to Rule 1 regarding ownership and material interest.
- (ii) The SRA's notification "in writing" includes any form of written electronic communication normally used for business purposes, such as emails.
- (iii) See also Regulation 7 of the SRA Practising Regulations under which the SRA has the power to impose conditions on a practising certificate or registration which restrict an individual's ability to be involved in an authorised body.
- (iv) Specific provisions exist in the LSA about imposing conditions on the approval of owners of a licensed body:
  - (a) For the approval of ownership on an application for a licence, see paragraph 17 of Schedule 13 to the LSA. For the approval of ownership on a change of interests after a licence is issued, see paragraph 28 of that Schedule. These give the SRA the power to approve an owner's or a prospective owner's holding subject to conditions where the Rule 15 criteria are not met in relation to that investment, but only if the SRA considers that, if the conditions are complied with, it will be appropriate for the owner to hold the interest.
  - (b) For the imposition of conditions (or further conditions) on an existing ownership interest, see paragraph 33 of Schedule 13 to the LSA. This gives the SRA the power to impose conditions (or further conditions) on a person's holding of an interest, if the SRA is not satisfied that the Rule 15 criteria are met, or if the SRA is satisfied that a condition imposed under paragraphs 17, 28 or 33 of Schedule 13 (see above) on the person's holding of that interest has not been, or is

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not being, complied with. The SRA may only use the paragraph 33 power if it considers that, if the conditions are complied with, it will be appropriate for the owner to hold the interest without the approval requirements being met.

### **Rule 15: Criteria for approval**

15.1 When considering whether a *candidate* should be approved to be a *manager*, *owner* or *compliance officer* of the body, as appropriate, the *SRA* will take into account the criteria set out in the *SRA Suitability Test* and any other relevant information.

Guidance notes

- (i) As well as evidence about the candidate, the Suitability Test takes into account evidence about the honesty and integrity of a person that the candidate is related to, affiliated with, or acts together with where the SRA has reason to believe that that person may have an influence over the way in which the candidate will exercise their role.
- (ii) Under paragraphs 19 and 20 of Schedule 13 to the LSA the SRA has the power, when dealing with an application for a licence, to object to the holding of an interest if it is not satisfied that the Rule 15 criteria are met in relation to that holding. The mechanism for objecting is set out in those paragraphs.

### **Rule 16: Effect of approval**

16.1 Approval takes effect from the date of the decision unless otherwise stated and remains effective only if the *candidate* takes up the position for which he or she has been approved within the period specified in the notice of approval.

16.2 Subject to Rule 16.1, approval continues until:

- (a) it is withdrawn by the *SRA*; or
- (b) the approved *person* ceases to be a *manager*, *interest holder*, *COLP* or *COFA* of the *authorised body*, as appropriate.

Guidance note

- (i) The period specified in the notice of approval in Rule 16.1 will normally be 90 days although may be varied in individual cases.

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### **Rule 17: Withdrawal of approval**

- 17.1 Where the **SRA** has granted an approval of a **person** to be a **manager**, **owner** or **compliance officer** of a body (including a deemed approval under Rule 13.2), it may subsequently withdraw that approval if:
- (a) it is not satisfied that an approved **person** met or meets the criteria for approval in Rule 15;
  - (b) it is satisfied that a condition imposed on the body's **authorisation** under Rule 14.5 has not been, or is not being complied with;
  - (c) it is satisfied that the approved **person** has breached a duty or obligation imposed upon them in or under the **SRA's regulatory arrangements** or any enactments; or
  - (d) information or documentation is not promptly supplied in response to a request made under Rule 14.8.
- 17.2 Where withdrawal of approval relates to a **director** of a **company**, the **SRA** may set separate dates for that individual ceasing to be a **director** and disposing of his or her shares.

### **Rule 18: Temporary emergency approvals for compliance officers**

- 18.1 If an **authorised body** ceases to have a **COLP** or **COFA** whose designation has been approved by the **SRA**, the **authorised body** must immediately and in any event within seven days:
- (a) notify the **SRA**;
  - (b) designate the **sole practitioner**, another **manager** or **employee** to replace its previous **COLP** or **COFA**, as appropriate; and
  - (c) make an application to the **SRA** for temporary approval of the new **COLP** or **COFA**, as appropriate.
- 18.2 The **SRA** may grant a temporary approval under this rule if:
- (a) it is satisfied that the **authorised body** could not reasonably have commenced an application for approval of designation in advance of the non-compliance; and
  - (b) on the face of the application and any other information immediately before the **SRA**, there is no evidence suggesting that the new **compliance officer** is not suitable to carry out the duties imposed on them under these rules.

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18.3 Temporary approval under this rule:

- (a) may be granted initially for 28 days;
- (b) may be granted to have effect from the date the body ceases to have a **COLP** or **COFA** whose designation has been approved;
- (c) may be extended in response to a reasonable request by the **authorised body**;
- (d) must be extended pending determination of a substantive application for approval commenced in accordance with Rule 18.4;
- (e) may be granted or extended subject to such conditions on the **authorised body's authorisation** as the **SRA** thinks fit, having regard to the criteria in Rule 9;
- (f) has effect only while the criteria in Rule 8.5(g) are met;
- (g) if granted, cannot prejudice the discretion of the **SRA** to refuse a substantive application for approval of designation or to impose any conditions on that approval; and
- (h) in exceptional circumstances, and for reasonable cause, may be withdrawn at any time.

18.4 If granted temporary approval under Rule 18.3 above for its designation of a new **COLP** or **COFA**, the **authorised body** must:

- (a) designate a permanent **COLP** or **COFA**, as appropriate; and
- (b) submit a substantive application for approval of that designation under Rule 13;

before the expiry of the temporary approval or any extension of that approval by the **SRA**.

## **Part 5: Notification, effect and duration of authorisation**

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### **Rule 19: Notification of decisions**

19.1 The **SRA** must notify its decision and reasons in writing when it:

- (a) refuses an application made under these rules;
- (b) grants an application subject to a condition;

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- (c) refuses a permission required under a condition on a body's *authorisation*;  
or
  - (d) withdraws its approval of a *candidate* under Rules 17 and 18.
- 19.2 The notification in Rule 19.1 must be given:
- (a) to the *applicant body* or *authorised body* as appropriate; and
  - (b) where appropriate, to the *candidate* concerned.
- 19.3 The *SRA* must give 28 days written notice, with reasons:
- (a) to the *authorised body* concerned, when the *SRA* decides to impose a condition on an *authorised body's authorisation* at any time after the grant of the *authorisation*;
  - (b) to the body and the individual concerned, when the *SRA* decides to withdraw an approval under Rules 17 and 18;
- 19.4 The *SRA* may shorten or dispense with the 28 day period under Rule 19.3(a) if it is satisfied that it is in the public interest to do so.

Guidance note

- (i) The SRA's notification "in writing" may be by any form of written electronic communication normally used for business purposes, such as emails.

## **Rule 20: Notifying third parties of decisions**

- 20.1 The *SRA* may, if it considers it in the public interest to do so, publish and notify any *persons* of a decision concerning a body or an individual made under these rules, including but not limited to:
- (a) an *authorised person* of which the body or individual concerned is a current, past or prospective *manager, employee* or *interest holder*;
  - (b) any *approved regulator*;
  - (c) any statutory regulator;
  - (d) the Legal Services Board;
  - (e) the *Legal Ombudsman*;

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- (f) the regulatory body for any profession of which the individual concerned is a member or which regulates the body concerned;
- (g) any law enforcement agency.

**Rule 21: Effect and validity of authorisation**

- 21.1 A grant of *authorisation* takes effect from the date of the decision unless otherwise stated, except in the case of a *licensed body* when *authorisation* takes effect from the date on which the licence is issued.
- 21.2 *Authorisation* continues in force unless it ceases to have effect in accordance with Rule 21.3.
- 21.3 An *authorised body's authorisation* ceases to have effect so that the body is no longer authorised by the *SRA* under these rules:
  - (a) from the time that the *authorisation* is revoked under Rule 22;
  - (b) at any time during which the *authorisation* is suspended;
  - (c) subject to Part 6, if the body is wound up or for any other reason ceases to exist; or
  - (d) if in relation to a *licensed body*, the body is issued with a licence by another *approved regulator*.

**Rule 22: Revocation and suspension of authorisation**

- 22.1 Subject to Rule 23, the *SRA* may revoke or suspend a body's *authorisation*, where:
  - (a) in the case of an *authorised body*:
    - (i) *authorisation* was granted as a result of error, misleading or inaccurate information, or fraud;
    - (ii) the body is or becomes ineligible to be authorised in accordance with the criteria set out in Rule 6;
    - (iii) the *SRA* is satisfied that the body has no intention of carrying on the *legal activities* for which it has been authorised under these rules;
    - (iv) the body has failed to provide any information required by the *SRA* under these rules;

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- (v) the body has failed to pay any *prescribed* fee payable by the *firm* to the *SRA*;
- (vi) a *relevant insolvency event* has occurred in relation to the body or the *sole practitioner* is made the subject of bankruptcy proceedings or makes a proposal for an individual voluntary arrangement;
- (vii) the body makes an application to the *SRA* for its *authorisation* to be revoked or suspended;
- (viii) the *SRA* has decided to exercise its intervention powers under section 102 of and Schedule 14 to the *LSA*, Parts I and II of Schedule 1 to the *SA*, paragraph 5 of Schedule 14 to the Courts and Legal Services Act 1990 and Part II of Schedule 1 to the *SA* or paragraph 32 of Schedule 2 to the *AJA* and Part II of Schedule 1 to the *SA*, as appropriate;
- (ix) the body, or an *owner*, *interest holder*, *manager* or *employee* of the body or the *sole practitioner* fails to comply with the duties imposed by or under these rules or under any statutory obligations in relation to the body's business of carrying on *authorised activities* including payment of any fine or other financial penalty imposed on the body by the *SRA*, the *Tribunal*, the High Court or the *appellate body*;
- (x) where:
  - (A) in the case of a *licensed body*, the body fails to comply with Rule 8.6(b) (prohibition on *disqualified managers*); or
  - (B) in the case of an *authorised body*, the body fails to comply with Rule 8.6(c) (employment or remuneration of certain individuals);and the *manager* or *employee* concerned was *disqualified* as a result of breach of the duties imposed upon the *manager* or *employee* by sections 176 or 90 of the *LSA*;
- (xi) the body does not comply with Rule 8.5 (compliance officers);
- (xii) the body fails to comply with Rule 8.6 (management and control);
- (xiii) for any other reason it is in the public interest; or
- (xiv) the body, where it is a *responsible authorised body*, has failed to comply with any obligations under the SRA's *regulatory arrangements* in respect of its *overseas practices*.

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- (b) in the case of a *licensed body*
  - a *non-authorized person holds an interest* in the *licensed body*:
    - (i) as a result of the *person* taking a step in circumstances where that constitutes an offence under paragraph 24(1) of Schedule 13 to the *LSA* (whether or not the *person* is charged with or convicted of an offence under that paragraph),
    - (ii) in breach of conditions imposed under paragraphs 17, 28 or 33 of that Schedule, or
    - (iii) the *person's* holding of which is subject to an objection by the *SRA* under paragraph 31 or 36 of that Schedule.

22.2 The *SRA* must not revoke or suspend an *authorisation* under this rule:

- (a) unless it has first provided the *authorised body* with an opportunity to provide representations to it regarding the issues giving rise to the proposed revocation or suspension;
- (b) unless it has first given the *authorised body* notice of its intention to revoke or suspend the *authorisation*; and
- (c) before the end of the period of 28 days beginning with the day on which the notice in (b) above is given to the body or any longer period specified in the notice.

Guidance notes

- (i) Rule 22.1(a)(x) refers to sections 90 and 176 of the LSA. Section 90 sets out the duty of non-authorized persons, as defined by the LSA, not to do anything which causes or substantially contributes to a breach by a licensed body, or by a manager or an employee of the licensed body who is an authorised person, of the duties imposed on them by section 176. Section 176 imposes the statutory duty on a regulated person to comply with the SRA's regulatory arrangements when practising through an SRA firm. Regulated person includes the firm itself as well as the managers and employees of the firm.
- (ii) Rule 22.1(b)(i) refers to the offence under paragraph 24(1) of Schedule 13 to the LSA. This is the offence of a non-authorized person who is required to notify the licensed body and the SRA of a proposal to take a step leading to acquiring a restricted interest in a

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licensed body taking the step prior to the SRA's approval. Rule 22.1(b)(ii) refers to breaches of the specific provisions about imposing conditions on approval of owners - see guidance note (ii) to Rule 15 above. Rule 22.1(b)(iii) refers to paragraphs 31 (the SRA having an objection to a notifiable interest) and 36 (the SRA having an objection to an existing restricted interest) of Schedule 13 to the LSA.

- (iii) In addition to the power to revoke or suspend authorisation, there are statutory divestiture procedures available to the SRA in respect of owners of licensed bodies. These are set out in Part 5 of Schedule 13 to the LSA. See also the guidance notes to Rule 15 for more information about other statutory powers relating to owners of licensed bodies.
- (iv) Revocation and suspension of authorisation is a discretionary power of the SRA. The SRA is unlikely to revoke or suspend authorisation if doing so at that time would present any risk to clients, the public, the protection of public money or to any SRA investigation.

### Rule 23: Unforeseen temporary breach of certain conditions and eligibility criteria

#### 23.1 Unforeseen breach of eligibility criteria

- (a) If due to an event which could not reasonably have been foreseen, a *licensed body* is no longer a *licensable body*:
  - (i) because the body no longer has at least one *manager* who is an individual and who is an *authorised person* (other than an *RFL* or an *EEL* who is not registered with the *BSB* under Regulation 17 of the European Communities (Lawyer's Practice) Regulations 2000 (SI 2000/1119)) in relation to a licensed activity; or
  - (ii) because:
    - (A) the body no longer has a *manager* or *interest holder* who is a *non-authorised person*; and
    - (B) *non-authorised persons* are no longer entitled to exercise, or control the exercise of, at least 10% of the *voting rights* in any body which is a *manager* or *interest holder* of the *licensed body*;

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but the **SRA** is informed of that fact within seven days of the event first occurring and the body becomes a **licensable body** again within 28 days of the event first occurring, then the **licensable body** will be deemed to have remained a **licensable body** and to that extent will not be liable to have its **authorisation** revoked or suspended under Rule 22.

- (b) If due to an event which could not reasonably have been foreseen, a **recognised body** is no longer a **legal services body** because the body no longer has at least one **manager** who is:
- (i) a **solicitor**;
  - (ii) an **REL**; or
  - (iii) a **legally qualified body** with at least one **manager** who is a **solicitor** or an **REL**;

but the **SRA** is informed of the fact within seven days of the event first occurring and the body becomes a **legal services body** again within 28 days of the event first occurring, then the **recognised body** will be deemed to have remained a **legal services body** and to that extent will not be liable to have its **authorisation** revoked or suspended under Rule 22.

### 23.2 An **LLP** having fewer than two **members**

- (a) If an event which could not reasonably have been foreseen results in an **LLP** having fewer than two **members**, and therefore being in breach of Rule 16.3 (requirement to have at least two **members**) of the **SRA Practice Framework Rules**, but within six months the situation is remedied, and provided the **LLP** has remained in a position to comply with the remainder of the **SRA's regulatory arrangements** including these rules and any conditions imposed on its **authorisation**, the **LLP** will be deemed to have remained in compliance with Rule 16.3 of the **SRA Practice Framework Rules** and to that extent will not be liable to have its **authorisation** revoked under Rule 22.

### 23.3 Death of **member** or **shareowner** of a **company**

- (a) If an **authorised body** is a **company** with shares and a **member** or **shareowner** dies who had been approved under Part 4 to be a **member** or **shareowner** of the body at the date of death, then, whether or not the personal representatives have been approved under Part 4, the personal representatives may replace the deceased **member** or **shareowner** in their capacity as personal representatives, provided that:

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- (i) no vote may be exercised by or on behalf of a personal representative (and no such vote may be accepted) unless all the personal representatives have been approved under Part 4 to be *members* or *shareowners*;
  - (ii) no personal representative may hold or own a share in that capacity for longer than 12 months from the date of death;
  - (iii) within 12 months of the death the *authorised body* must cancel or acquire the shares or ensure that they are held and owned by *persons* who can *hold the interest* in the body in compliance with Rule 8.6 (management and control), but without this resulting in *RFLs* being the only *shareowners* of a *recognised body*; and
  - (iv) no vote may be exercised by or on behalf of any personal representative (and no such vote may be accepted) after the 12 month period has expired.
- (b) If, following the death of a *member* or *shareowner*, a *company* meets the requirements of (a) above, the *company* will be deemed to have remained in compliance with Rule 8.6 (management and control), and to that extent will not be liable to have its *authorisation* revoked under Rule 22.

23.4 *Member* or *shareowner* ceasing to be approved

- (a) If an *authorised body* is a *company* with shares and a *member* or *shareowner* ceases to be approved under Part 4 to be a *member* or *shareowner* of the body, or ceases to exist as a *body corporate*, then provided that:
  - (i) no vote is exercised or accepted on the shares held by or on behalf of that *member* or *shareowner*;
  - (ii) a trustee in bankruptcy or liquidator (whether approved under Part 4 or not) replaces that *member* or *shareowner* in the capacity of trustee or liquidator for a period not exceeding six months from the date the *member* or *shareowner* ceased to be approved; and
  - (iii) the *company* cancels or acquires the shares within six months, or within that time ensures that the shares are held and owned by *persons* in compliance with Rule 8.6, but without this resulting in the body ceasing to be a *licensable body* (in the case of a *licensed body*), or ceasing to be a *legal services body* (in the case of a *recognised body*);

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the *company* will be deemed to have remained in compliance with Rule 8.6 (management and control), and to that extent will not be liable to have its *authorisation* revoked under Rule 22.

23.5 *Member* or *shareowner* becoming insolvent but remaining compliant

- (a) If an *authorised body* is a *company* with shares and a *member* or *shareowner* becomes insolvent but continues to *hold an interest* in the body in compliance with Rule 8.6, then the trustee in bankruptcy or liquidator (whether approved under Part 4 or not) may replace the insolvent *member* or *shareowner* in the capacity of trustee in bankruptcy or liquidator, provided that:
- (i) no vote may be exercised by or on behalf of a trustee in bankruptcy or liquidator (and no such vote may be accepted) unless the trustee or liquidator can *hold the interest* in the *company* in compliance with Rule 8.6;
  - (ii) no trustee in bankruptcy or liquidator may hold or own a share in that capacity for longer than six months from the date of the insolvency;
  - (iii) within six months of the insolvency the *company* must cancel or acquire the shares or ensure that they are held and owned by *persons* who can *hold an interest* in the *company* in compliance with Rule 8.6, but without this resulting in the body ceasing to be a *licensable body* (in the case of a *licensed body*), or ceasing to be a *legal services body* (in the case of a *recognised body*); and
  - (iv) no vote may be exercised by or on behalf of any trustee in bankruptcy or liquidator (and no such vote may be accepted) after the six month period has expired.
- (b) If (a) above applies and a *company* meets its requirements, the *company* will be deemed to have remained in compliance with Rule 8.6 (management and control), and to that extent will not be liable to have its *authorisation* revoked under Rule 22.

23.6 Court of Protection deputy

- (a) A *Court of Protection deputy* appointed under section 19 of the Mental Capacity Act 2005 may be a *member* or *shareowner* in that capacity of an *authorised body*, without breaching Rule 8.6 (management and control), provided that:

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- (i) the person in respect of whom the deputy has been appointed *holds the interest* in compliance with Rule 8.6; and
  - (ii) if the deputy is not a *member* or *shareowner* in compliance with Rule 8.6, no vote is exercised or accepted on the shares.
- (b) If (a) above applies and a *company* meets its requirements, the *company* will be deemed to have remained in compliance with Rule 8.6, and to that extent will not be liable to have its *authorisation* revoked under Rule 22.

Guidance notes

- (i) The provisions in Rule 23 allow firms time to rectify the position where unexpected changes occur. The effect of the provisions is to allow firms a period to avoid being in breach of SRA rules. Recognised bodies need also to consider the time limit of 90 days to obtain a licence which is imposed by section 18(3) of the LSA on such existing bodies that become licensable. Likewise, licensed bodies need to consider the time limit of 90 days to obtain a certificate of recognition which is imposed by section 18(6) of the LSA on existing licensed bodies that cease to be licensable.
- (ii) If the changes in 23.2, 23.3, 23.4, 23.5 and 23.6 occur, firms will need to notify the SRA under Rule 8.7 and under Rule 18.2 of the SRA Practice Framework Rules.

## Part 6: Changes in partnerships

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### Rule 24: Change to the composition of a partnership

- 24.1 *Authorisation* of a *partnership* may continue despite a change in its composition, subject to Rules 24.2, 24.3, 24.4 and 25.
- 24.2 If there is a change to an *authorised body*, which is a *partnership*, which results in there being:
- (a) no remaining *partner* who was a *partner* before the change the *authorised body* must cease to *practise* from the date of the change; the 28 day period under Rule 23.1 does not apply;
  - (b) only one remaining *principal* whose *practice* needs to be authorised as a *recognised sole practitioner* but could not reasonably have commenced an application in advance of the change:

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- (i) the *firm* may continue to *practise* provided that the remaining *principal*:
  - (A) is a *solicitor* or *REL*;
  - (B) notifies the *SRA* within seven days;
  - (C) is granted temporary emergency recognition under Rule 25 below ~~Regulation 4 of the *SRA Practising Regulations*~~;
- (ii) during the initial 28 day period, or such extended period as the *SRA* may allow, under any such temporary emergency recognition, the remaining *principal* must:
  - (A) cease to *practise*, and notify the *SRA*; or
  - (B) commence a substantive application under these rules for *authorisation* as a *recognised sole practitioner* under the *SRA Practising Regulations*, or if the remaining *principal* has taken on a new *partner*, as a *recognised body or a licensed body*, ~~as appropriate *authorised body*~~;
- (c) an *authorised body* which will continue but one or more of the former *partners* intend to carry on as a separate *firm*, which must be authorised as an *authorised body*, ~~a *recognised body* or a *recognised sole practitioner*~~, but the *principal(s)* in the new firm could not reasonably have commenced an application for *authorisation* in advance of the change:
  - (i) the new *firm* may *practise* from the date of the change provided that the new *firm*:
    - (A) is a *partnership* which complies with Part 3 of the *SRA Practice Framework Rules* in its formation, composition and structure, or is a *solicitor* or *REL sole practitioner*;
    - (B) complies with the SRA Indemnity Insurance Rules;
    - (C) notifies the *SRA* within seven days; and
    - (D) is granted temporary emergency *authorisation* under Rule 25 below ~~or temporary emergency recognition under Regulation 7 of the *SRA Recognised Bodies Regulations 2011* or Regulation 4 of the *SRA Practising Regulations*~~;

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- (ii) during the initial 28 day period, or such extended period as the **SRA** may allow, the new **firm** must:
  - (A) cease to **practise**, and notify the **SRA**; or
  - (B) commence a substantive application for **authorisation**;
- (d) a failure by:
  - (i) a **recognised body** to comply with Rules 13.1 and 16.1 of the **SRA Practice Framework Rules**; or
  - (ii) a **licensed body** to comply with Rules 14 and 16 of the **SRA Practice Framework Rules**,the **firm** must cease to **practise**.

24.3 Following a **partnership** change under Rule 24.2(c), the **SRA** will if necessary decide which of the groups of former **partners** will continue to be covered by the existing **authorisation** and which must apply for a new **authorisation**, and may apportion **authorisation** fees and Compensation Fund contributions between the groups.

24.4 Any decision made under Rule 24.3 will be without prejudice to the outcome of any legal dispute between the former **partners**.

### **Rule 25: Temporary emergency authorisation**

25.1 If a **partnership** split brings into being a new **partnership** or a new **sole practitioner firm** which is not an **authorised body**:

- (a) the **SRA** must be notified within seven days; and
- (b) temporary emergency **authorisation** may be granted, subject to Rule 25.2 to 25.4 below, so as to enable the **partners** in the new **partnership** or the **sole practitioner** to **practise** through the new **firm** for a limited period without breach of these rules and the **SRA Practice Framework Rules**.

25.2 An application for temporary emergency **authorisation** must be made on the **prescribed** form within seven days of the **partnership** split, and must be accompanied by all information and documentation the **SRA** may reasonably require.

25.3 The **SRA** may grant an application for temporary emergency **authorisation** if the following conditions are met.

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- (a) The **SRA** must be satisfied that the **partners or sole practitioner** could not reasonably have commenced an application for **authorisation** in advance of the change.
- (b) In the case of a **licensable body**, the **partnership** must comply with Rule 14 (Eligibility criteria and fundamental requirements for licensed bodies) of the **SRA Practice Framework Rules**.
- (c) In the case of a **legal services body or sole practitioner**, the **partnership or sole practitioner** must comply with Rule 13 (Eligibility criteria and fundamental requirements for recognised bodies) of the **SRA Practice Framework Rules**.
- (d) The **partnership or sole practitioner** must comply with Rules 12 (Persons who must be "qualified to supervise"), 15 (Formation, registered office and practising address) and 16 (Composition of an authorised body) of the **SRA Practice Framework Rules**.
- (e) The **partnership or sole practitioner** must comply with the SRA Indemnity Insurance Rules, and must have adopted a name under which the **firm** is to be registered and which complies with Chapter 8 (Publicity) of the **SRA Code of Conduct**.

25.4 Temporary emergency **authorisation**:

- (a) may be granted initially for 28 days;
- (b) may be granted to have effect from the date of the **partnership** split or any other appropriate subsequent date;
- (c) may be extended in response to a reasonable request by the **applicant body**;
- (d) must be extended (subject to (h) below) pending determination of a substantive application for **authorisation** commenced during the currency of a temporary emergency **authorisation**;
- (e) is granted or extended subject to the general conditions in Rule 8, unless otherwise specified by the **SRA**, and may be granted or extended subject to such other conditions as the **SRA** sees fit to impose having regard to the criteria in Rule 9;
- (f) is to be treated as a new **authorisation** for the purpose of these rules;

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- (g) if granted, cannot prejudice the discretion of the **SRA** to refuse a substantive application for **authorisation** of the body under Part 2 or to impose any conditions on any such **authorisation**; and
- (h) in exceptional circumstances, and for reasonable cause, may be revoked at any time.

#### 25.5 Recognised sole practices

- (a) If a **sole practitioner** dies:
  - (i) the **SRA** must be notified within seven days;
  - (ii) within 28 days of the death an emergency application may be made, on the prescribed form, for recognition as a **recognised sole practice** by a **solicitor** or **REL** who is:
    - (A) the **sole practitioner's** executor;
    - (B) practice manager appointed by the **sole practitioner's** personal representatives; or
    - (C) an **employee** of the firm.
- (b) If the emergency application for recognition is granted:
  - (i) recognition will be deemed to run from the date of death;
  - (ii) recognition will cease to have effect on the winding up of the estate or 12 months from the date of death, whichever is the earlier.

## **Part 7: Special bodies, transitional provisions and passporting**

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### **Rule 26: Special kinds of licensable bodies**

26.1 The **SRA** does not accept applications for any order to be made by it under section 106 of the **LSA** from any **licensable body**.

#### Guidance note

- (i) The **LSA** provides the special kind of licensable bodies mentioned in section 23 with a grace period during which they are not required to apply for authorisation as a licensed body. However, during the grace period, such bodies may apply for authorisation under these rules but will not be able to request special treatment under section 106 until this section is commenced.

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## Rule 27: Commencement, transitional provisions and repeals

27.1 [Deleted] These rules shall come into force:

- (a) ~~on the designation of the **Society** as a **licensing authority** under Part 1 of Schedule 10 to the **LSA**, in respect of **licensable bodies**;~~
- (b) ~~on 31 March 2012 ("the relevant date"), in respect of **legal services bodies**, and the SRA Recognised Bodies Regulations 2011 (in Rule 27.1 referred to as "the Regulations") shall be repealed, save that:~~
  - (i) ~~applications for initial recognition made under Regulation 2.1 of the Regulations but not decided on the relevant date shall be considered and decided in accordance with the Regulations;~~
  - (ii) ~~applications for approval of an individual as suitable to be a **manager** made under Regulation 5 of the Regulations but not decided on the relevant date shall be considered and decided in accordance with the Regulations;~~
  - (iii) ~~applications for temporary emergency recognition made under Regulation 7.5 of the Regulations, or requests for extension of temporary emergency recognition made under Regulation 7.8(c) of the Regulations, but not decided on the relevant date shall be considered and decided in accordance with the Regulations;~~
  - (iv) ~~where a **person** has invoked the internal appeal procedure under Regulation 9 of the Regulations, but the appeal has not been concluded by the relevant date, then the appeal shall be considered and determined in accordance with the Regulations; and~~
  - (v) ~~where directions have been issued in respect of a reconsideration under Regulation 18 of the Regulations, the reconsideration shall proceed in accordance with the Regulations,~~  
~~and for the avoidance of doubt, on the relevant date:~~
    - (A) ~~where a notice of succession has been delivered to the **SRA** under Regulation 3.1 or 3.3 of the Regulations in respect of which the **SRA** has made no fee determination, the **SRA** will proceed to consider the matter in accordance with Rule 8.3(d) to (k) above;~~
    - (B) ~~where condition(s) have been imposed on a **recognised body's** recognition under Regulation 6 of the Regulations,~~

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~~such condition(s) shall continue to apply as if they had been imposed under Rule 9 above; and~~

27.2 ~~[Deleted] From 31 March 2012 these rules shall have effect subject to the following amendments:~~

~~(a) in Rule 8.3(d), 8.3(i)(i) and 8.3(i)(ii) the words "**recognised bodies**" shall be omitted;~~

~~(b) in Rule 8.3(f), 8.3(j) and 8.3(k) the words "**recognised bodies**" shall be omitted;~~

~~(c) in Rule 8.3(g) and 8.3(l), the words "**recognised body**" shall be omitted;~~

~~(d) in Rule 8.3(h)(i), the words "**recognised body** or" shall be omitted;~~

~~(e) in Rule 24.2(c), the words "**a recognised body**" shall be omitted; and~~

~~(f) in Rule 24.2(c)(i)(D), the words "Regulation 7 of the SRA Recognised Bodies Regulations 2011 or" shall be omitted.~~

27.3 [Deleted]

27.4 From 31 March 2012, a **legal services body** which does not comply with Rule 8.5 above may be treated as an **authorised body** for the purposes of these rules and the **SRA's regulatory arrangements**, until 31 December 2012, at which time a **legal services body** shall be required to comply with Rule 8.5 in order to be authorised under these rules.

27.5 Unless the context otherwise requires, references in these rules to:

(a) these rules, or a provision of these rules; and

(b) the **SRA Code of Conduct**, rules, regulations or **regulatory arrangements**, or a provision of the same,

include a reference to the equivalent rules, regulations or provisions previously in force.

## Rule 28: Transition of recognised bodies

28.1 From 31 March 2012:

(a) the recognition of a body recognised under section 9 of the **AJA**, shall have effect as if it were **authorisation** granted under these rules; and

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- (b) all *managers* and *owners* of bodies falling within sub-rule (a) shall be deemed to have been approved under Part 4 of these rules, as applicable, including those approved under Rule 27.1(b)(ii) above.

## **Part 8: Reconsideration and appeals**

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### **Rule 29: Reconsideration**

29.1 The **SRA** may reconsider a decision made under these rules when it appears that the decision maker:

- (a) was not provided with material evidence that was available to the **SRA**;
- (b) was materially misled;
- (c) failed to take proper account of material facts or evidence;
- (d) took into account immaterial facts or evidence;
- (e) made a material error of law;
- (f) made a decision which was otherwise irrational or procedurally unfair;
- (g) made a decision which was otherwise ultra vires; or
- (h) failed to give sufficient reasons.

29.2 A decision may be reconsidered under Rule 29.1 only on the initiative of the **SRA**.

29.3 The **SRA**, when considering the exercise of its powers under this rule, may also give directions for:

- (a) further investigations to be undertaken;
- (b) further information or explanation to be obtained from any *person*; and
- (c) the reconsideration to be undertaken by the original decision maker or by a different decision maker or panel.

### **Rule 30: Appeals by legal services bodies or sole practitioners**

30.1 A *legal services body* or a *sole practitioner* which is the subject of any decision in (a)-(b) below may invoke the **SRA's** own appeals procedure:

- (a) against the **SRA's** decision to modify or refuse an application for modification of the terms and conditions of an *authorisation* under Rule 10;
- (b) before exercising its right of appeal to the High Court:

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- (i) against refusal of **authorisation**, under paragraph 2(1)(a) or paragraph 2(1A)(a) of Schedule 2 to the **AJA**;
- (ii) against the imposition of a condition on its **authorisation**, under paragraph 2(1)(b) or (c) or paragraph 2(1A)(b) or (c) of that Schedule; or
- (iii) against refusal by the **SRA** to approve a step which, under a condition on the body's **authorisation**, requires such prior approval, under paragraph 2(2) or paragraph 2(2A) of that Schedule.

30.2 A **legal services body** or a sole practitioner which is the subject of any decision in (a)-(c) below and/or the **person** who is the subject of any decision in (a)-(c) below, may invoke the **SRA's** own appeals procedure against the **SRA's** decision:

- (a) not to approve the **person** to be a **manager, owner** or **compliance officer** of a **legal services body** or a sole practitioner's practice under Rules 8.5(b) or (d) or 8.6(a);
- (b) to approve the **person** to be a **manager, owner** or **compliance officer** of a **legal services body** or a sole practitioner's practice under Rules 8.5(b) or (d) or 8.6(a) subject to conditions on the ~~body's~~ **authorised body's authorisation**; or
- (c) to withdraw its approval of the **person** to be a **manager, owner** or **compliance officer** of the body under Rule 17 or Rule 18.

30.3 A **legal services body** or a sole practitioner may appeal to the High Court against the **SRA's** decision to suspend or revoke the ~~body's~~ **authorised body's authorisation**, but must first invoke the **SRA's** own appeals procedure.

30.4 A **legal services body**, treated as such in accordance with Rule 22.3 of the **SRA Practice Framework Rules**, which is the subject of any decision in (a)-(b) below and/or the **person** who is the subject of any decision in (a)-(b) below, may appeal to the High Court against the **SRA's** decision:

- (a) not to approve the individual as suitable to be a non-lawyer **manager** of the body under Rule 8.6(a); and
- (b) to withdraw its approval of the individual as suitable to be a non-lawyer **manager** of the body under Rule 17;

but must first invoke the **SRA's** own appeals procedure, and for the purposes of 30.4 and 30.6(c) "non-lawyer" means an individual who is not listed in Rule 22.4(d)(i) of the **SRA Practice Framework Rules**.

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**30.5** Deemed refusal

- (a) An application by a *legal services body or a sole practitioner* for *authorisation* under Rule 4 is deemed, for the purpose of any appeal under Rule 30.1(b) above, to be refused on the day of the expiry of the *decision period*, if by the end of that day the *SRA* has not notified the *applicant body* of its decision.
- (b) An application for approval of a *person* under Part 4 is deemed, for the purpose of any appeal under Rule 30.4(a) above, to be refused on the day of the expiry of the *decision period*, if by the end of that day the *SRA* has not notified the *applicant body* or *authorised body* as appropriate, and the *person* who is the subject of the approval, of its decision.

**30.6** If an appeal is made to the High Court in relation to a decision made in respect of a *legal services body or a sole practitioner's practice* to:

- (a) impose conditions on an *authorisation* under Rule 9;
- (b) modify terms and conditions of an *authorisation* under Rule 10;
- (c) withdraw approval of a non-lawyer *manager* under 30.4; or
- (d) revoke or suspend a body's *authorisation*;

the appellant may apply to the High Court for a stay of the decision pending the determination or discontinuance of the appeal, and if the High Court imposes an order for a stay in relation to a decision, the *SRA* shall stay the decision accordingly.

Guidance note

- (i) Rule 30.5 allows an applicant ~~body~~ or authorised body to regard their application as refused on certain dates to allow an appeal to be commenced. However, this is only for the purpose of ensuring the body has appeal rights and despite the deemed refusal the *SRA* may still determine the application.

**Rule 31: Appeals by licensable bodies**

31.1 A *licensable body* which is the subject of any decision in (a)-(b) below may appeal to the *appellate body* against:

- (a) the *SRA's* decision to:
  - (i) refuse an application for *authorisation*;

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- (ii) impose a condition on an *authorisation*;
  - (iii) revoke or suspend a body's *authorisation*;
  - (iv) refuse to approve a step which, under a condition on the body's *authorisation*, requires such prior approval;
  - (v) modify or refuse an application for modification of the terms and conditions of an *authorisation* under Rule 10; or
- (b) the *SRA's* failure to make a decision within the *decision period*;  
but must first invoke the *SRA's* own appeal procedure.
- 31.2 A *licensable body* which makes the application for approval pursuant to Rule 8.5 or 8.6 and/or the *person* who is the subject of the application for approval may appeal to the *appellate body* against the *SRA's* decision:
- (a) not to approve the *person* to be a *manager* or *compliance officer* of the body under Rules 8.5(b) or (d) or 8.6(a);
  - (b) to approve the *person* to be a *manager* or *compliance officer* of the body under Rules 8.5(b) or (d) or 8.6(a) subject to conditions on the body's *authorisation*; or
  - (c) to withdraw its approval of the *person* to be a *manager* or *compliance officer* of the body under Rule 17 or 18;
- but must first invoke the *SRA's* own appeals procedure.
- 31.3 Any *person* who is the subject of any decision in (a)-(c) below may invoke the *SRA's* own appeals procedure, before exercising their right of appeal to the *appellate body*:
- (a) against the *SRA's* imposition of a financial penalty, under section 96 of the *LSA*;
  - (b) against the *SRA's* imposition of conditions on an *authorisation* in connection with its approval of a *person* being an *owner* of a *licensed body*, under paragraphs 18, 29 or 34 of Schedule 13 to the *LSA*; or
  - (c) against the *SRA's* decision not to approve, or its decision to withdraw its approval of, a *person* being an *owner* of a *licensed body*, under paragraphs 20, 32 or 37 of Schedule 13 to the *LSA*.
- 31.4 If an appeal is made to the *appellate body* in relation to a decision in respect of a *licensable body* to:

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- (a) impose conditions on an *authorisation* under Rule 9;
- (b) modify terms and conditions of an *authorisation* under Rule 10;
- (c) withdraw approval of an *owner, manager, COLP or COFA*;
- (d) revoke or suspend a body's *authorisation*; or
- (e) impose conditions on the holding of an interest under paragraph 28 or 33 of Schedule 13 of the *LSA*;

the appellant may apply to the *appellate body* for a stay of the decision pending the determination or discontinuance of the appeal, and if the *appellate body* imposes an order for a stay in relation to a decision, the *SRA* shall stay the decision accordingly.

**Rule 32: Appeals - general provisions**

32.1 Appeals under the *SRA's* own appeals procedure in respect of a decision made under these rules must be made within 28 days of:

- (a) notification of the *SRA's* decision and reasons;
- (b) deemed refusal under Rule 30.5 above; or
- (c) expiry of the *decision period* or extension notice under Rule 5;

as applicable.

32.2 Unless otherwise provided in rules of the High Court or the Legal Services Board or in the relevant decision, an appeal to the High Court or *appellate body* in respect of a decision made under these rules must be made:

- (a) within the period of 28 days from the date on which the notice of the decision that is subject to appeal is given to the appellant;
- (b) within the period of 28 days from the date on which the notice of the refusal of an appeal under the *SRA's* own appeals procedure is given; or
- (c) within the period of 28 days from the date on which the notice of the decision to impose a condition under the *SRA's* own appeals procedure is given;

as appropriate.

32.3 An appeal under the *SRA's* own appeals procedure under Rules 30.2(a), 30.4(a) or 31.2(a), or against the *SRA's* decision to refuse an approval under Rule 31.3(c), shall be treated as an application for the purpose of these rules.

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32.4 If an appeal is made under:

- (a) Rules 30.2(c), 30.4(b), 31.2(c) or 31.3(c), against the **SRA's** decision to withdraw an approval; or
- (b) Rules 30.3 or 31.1(a)(iii), against the **SRA's** decision to revoke or suspend an **authorisation** under Rule 22;

before the decision takes effect, the decision shall not take effect pending the determination or discontinuance of the appeal, unless in the opinion of the **SRA** the proceedings on that appeal have been unduly protracted by the appellant or are unlikely to be successful.

32.5 Any decision referred to in Rule 30.6 and 31.4 which is made by the **SRA** may include a direction that the condition, modification, withdrawal, revocation or suspension shall not take effect until the determination or discontinuance of any appeal.

## **Part 9: Register and certificate of authorisation**

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### **Rule 33: Name of an authorised body**

33.1 A **body corporate** will be authorised under its corporate name.

33.2 A **partnership or a sole practitioner** must elect to have a name under which it is to be authorised.

### **Rule 34: The register of authorised bodies**

34.1 The **SRA** must keep a register of all **authorised bodies** authorised by the **SRA**, which may be kept in electronic form.

34.2 The register must contain, for each **authorised body**:

- (a) The:
  - (i) name and number under which the body is authorised;
  - (ii) any previous name(s) under which the body has been authorised by the SRA;
  - (iii) date from which the **authorisation** has effect; and
  - (iv) details of the **reserved legal activities** that the body is authorised to undertake.

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- (b) whether the *authorised body* is a *recognised body*, *recognised sole practice* or a *licensed body*;
- (c) any other *practising* styles used by the body;
- (d) the *authorised body's* registered office and registered number, if it is an *LLP* or *company* and, if it is a *charity*, its *charity* number;
- (e) the *authorised body's* main *practising address* in England and Wales;
- (f) all the *authorised body's* other *practising addresses* and the addresses of its *overseas practices*;
- (g) whether the *authorised body* is a *sole practitioner, partnership*, an *LLP* or a *company*;
- (h) if the *authorised body* is a *company* its registered office address and, whether it is:
  - (i) a *company* limited by shares;
  - (ii) a *company* limited by guarantee;
  - (iii) an unlimited *company*;
  - (iv) an overseas *company* registered in England and Wales;
  - (v) an overseas *company* registered in Scotland;
  - (vi) an overseas *company* registered in Northern Ireland; or
  - (vii) a *societas Europaea*;
- (i) a list of the *authorised body's managers*, and in respect of each *manager*, whether that *manager* is:
  - (i) a *lawyer of England and Wales*, and if so the nature of his or her qualification;
  - (ii) an *REL*, and if so his or her professional title and jurisdiction of qualification;
  - (iii) an *EEL* registered with the *BSB*, and if so his or her professional title and jurisdiction of qualification;

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- (iv) an *EEL* based entirely at an office or offices outside England and Wales, and if so his or her professional title and jurisdiction of qualification;
- (v) an *RFL*, and if so his or her professional title and jurisdiction of qualification;
- (vi) any other individual approved under Part 4;
- (vii) a *company* approved under Part 4, and if so whether it is a *licensed body*, a *recognised body*, a *European corporate practice* or an *authorised non-SRA firm*;
- (viii) an *LLP* approved under Part 4, and if so whether it is a *licensed body*, a *recognised body*, a *European corporate practice* or an *authorised non-SRA firm*; or
- (ix) a *partnership* with separate legal personality approved under Part 4, and if so whether it is a *licensed body*, a *recognised body*, a *European corporate practice* or an *authorised non-SRA firm*;
- (j) the name of the individual who is the *firm's COLP*, and the name of the *approved regulator* which authorises that individual as an *authorised person*;
- (k) the name of the individual who is the *firm's COFA*;
- (l) any condition to which the body's *authorisation* is subject;
- (m) if the *authorised body's authorisation* is for the time being suspended or r evoked, a note to state that fact and the date on which the suspension or revocation took place;
- (n) in the case of a *licensed body*, any enforcement action or sanction on the body, any *owner* or *employee* of the body, excluding administrative fines; and
- (o) any other information considered necessary by the *SRA* for carrying out its statutory functions in the public interest, as may from time to time be *prescribed*.

34.3 Public information

- (a) Entries in the register must be available for inspection by any member of the public except that the *SRA* may withhold a *recognised body's* address in

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exceptional circumstances where the **SRA** considers that to do so would be in the public interest.

- (b) The date on which, and the circumstances in which, an **authorised body's authorisation** expired or was revoked must be made available to a member of the public on request.

### **Rule 35: Certificates of authorisation**

35.1 When an **body applicant** is granted an **authorisation**, the **SRA** must issue a **certificate of authorisation**.

35.2 Each **certificate of authorisation** must state, in respect of the **authorised body**:

- (a) whether it is a licence or a certificate of recognition;
- (b) the name and number under which the body is authorised;
- (c) its registered office, if it is an **LLP** or **company**;
- (d) its main **practising address** in England and Wales;
- (e) if it is a **recognised body** or a **licensed body**, whether it is a **partnership**, an **LLP** or a **company**; and
- (f) if it is a **company**, whether it is:
  - (i) a **company** limited by shares;
  - (ii) a **company** limited by guarantee;
  - (iii) an unlimited **company**;
  - (iv) an overseas **company** registered in England and Wales;
  - (v) an overseas **company** registered in Scotland;
  - (vi) an overseas **company** registered in Northern Ireland; or
  - (vii) a **societas Europaea**;
- (g) the date from which **authorisation** is granted; and
- (h) the terms and conditions to which the body's **authorisation** is subject.