

## **Chief Executive's Report**

### **Purpose**

- 1 This report sets out progress against our strategic objectives and provides an update on operational performance. It also highlights any important external developments.
  - Section 1: reports on our priorities and progress against the 2018/19 Business Plan.
  - Section 2: provides an update on operational performance, including our resource monitoring information and key performance indicators.
  - Section 3: provides information on important external developments and our relationships with key stakeholders.

### **Recommendations**

- 2 The Board is asked:
  - a) to consider the Chief Executive's report

**If you have any questions about this paper please contact: Paul Philip, Chief Executive.**

## **Chief Executive's Report**

### **Section 1: Priorities for 2018/19**

- 3 This section provides an update to the Board on our key priorities, starting with an overview of any key developments, followed by an update against our 2018/19 Business Plan.

#### ***Corporate Strategy***

- 4 Our [Corporate Strategy consultation](#) was launched on 3 October 2019. It will run until 23 January and we will be reaching out across the profession, the public and key stakeholders to gather their views.

#### ***Solicitors Indemnity Fund***

- 5 The Board is aware that after 30 September 2020 no new claims for post six year run off will be accepted by the Solicitors Indemnity Fund. A communication plan for this is being prepared with the Law Society and we have already started communications with the profession through 'SRA Update', which goes to all solicitors, at the start of October, as well as our Compliance Officers October ebulletin.

### **Progress against our 2018/19 Business Plan**

- 6 We are making good progress to achieve the objectives set in our 2018/19 Business Plan. Below I highlight key areas of development to note against each Business Plan objective.

<b>Objective 1: We will set and apply consistently high professional standards for the individuals and firms we regulate and make sure they are appropriate to meet the challenges of today and the future</b>	<b>On track</b>
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- 7 We are on track to deliver this objective.

#### ***Solicitors Qualifying Examination (SQE)***

- 8 We reported to the Board in July that the form of skills assessment which we tested in the SQE1 pilot was not effective. Kaplan recommended that we should remove it and rely instead on the SQE2 skills assessment. We agreed that before we took any decision about removing the skills assessment altogether from SQE 1, we would do some work to explore possible alternatives. Since then, we have been talking to stakeholders about possible options and we think that we should wait until after the SQE2 pilot before making a final decision. This will enable us to

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make a coherent decision about how and where we assess skills in the SQE across both stages of assessment and to engage more with stakeholders.

- 9 Preparations for the SQE 2 pilot that is due to run in December are well in hand. Over 600 applications were received to participate in the pilot and we hope to recruit in the region of 300 candidates. We will be publishing the Assessment Specification for the pilot by the end of October. At the same time, we will publish the final Assessment Specification for the Functioning Legal Knowledge assessment of SQE 1.

***Updating the Practice Skills Standards***

- 10 Our Practice Skills Standards are the standards which people completing a Period of Recognised Training (a training contract) are required to meet at the point of admission. They are also the standards against which equivalent means applications for a period of recognised training are assessed. They will be incorporated into the new Standards and Regulations which come into force on 25 November and will continue to apply to candidates qualifying under the existing training route up to 2031, during the SQE transition period.
- 11 In 2015, the Statement of Solicitor Competence was introduced. This sets out the competences practising solicitors are required to maintain. It is what the Solicitors Qualifying Examination (SQE) will assess. It also defines Qualifying Work Experience for SQE purposes: applicants for admission must have completed two years' qualifying work experience giving them the opportunity to develop the competences in the Statement of Solicitor Competence.
- 12 The Practice Skills Standards and the Statement of Solicitor Competence describe similar or identical skills areas but in slightly different wording. There are no major substantive differences between them. However, as both documents will continue to be important for our regulation for some years to come, we wish to align them so we have a single consistent statement of what is required to be demonstrated for admission as a solicitor, regardless of whether someone is qualifying under the old or new regimes.
- 13 We have therefore reviewed the Practice Skills Standards and changed the wording to ensure it matches the wording of the Statement of Solicitor Competence. We have discussed our approach with a small number of law firms. They did not identify any unforeseen impacts and welcomed the change.
- 14 We will be adopting the revised Practice Skills Standards from 25 November 2019, when the new Standards and Regulations are introduced.

***Reasonable Adjustments in legal services research***

- 15 We have [published research](#) that explored the views of a range of people with differing types and severities of disability about their experiences of accessing professional services.

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- 16 The research found that only 16% of disabled people report that they were proactively asked by their solicitor if they needed any reasonable adjustments, 27% of disabled people do not ask for reasonable adjustments as they do not feel comfortable doing so and 35% of the people that have asked for reasonable adjustments from professional services said that they always or often receive those adjustments.
- 17 We are using these findings as part of a suite of products for the profession to highlight their obligations to provide reasonable adjustments to their staff and clients. These products will be used to raise awareness and promote a better understanding of the needs of consumers with disabilities (including invisible disabilities) among the profession. We will also be publishing top tips from the findings in the Risk Outlook.

**Objective 2: We will make sure our regulatory requirements are proportionate, providing solicitors and firms with the flexibility to innovate and better meet the needs of members of the public and businesses, while maintaining appropriate levels of public protection**

**On track**

- 18 We are on track to deliver this objective.

***Legal Access Challenge***

- 19 The judging panel was chaired by Anna Bradley and has chosen the eight finalists for the funding award component of the Legal Access Challenge. The Challenge attracted 117 high-quality applications from a diverse range of teams.
- 20 The eight finalists have been awarded £50,000 each in funding to develop technological solutions to broaden access to legal services in England and Wales for individuals and small businesses. The funding is to help the finalists develop their legal access innovation over the next six months. Two of the finalists will go on to be named winners of the Legal Access Challenge in March 2020, receiving a further £50,000 each to invest in their product, bringing the total prize fund to £500,000. We have published details of the finalists on our website - <https://www.sra.org.uk/sra/news/press/narrow-legal-gap/>.

***Standards and Regulations resources***

- 21 We launched a new [‘one-stop-shop’ webpage](#) in September, providing solicitors and law firms with easy access to resources designed to help prepare for the introduction of our new Standards and Regulations in November. By the end of the month, it had already attracted around 8,000 visitors

***Accounts Rules***

- 22 Law firms and their accountants have highlighted some issues with complying with some of the requirements within the new accounts rules because of the particular

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arrangements in place when they are operating a client's own account (as opposed to managing money within the firm's client account). Law firms and solicitors might operate a client's own account in a number of scenarios. The most common is likely to be when a solicitor in a firm has been appointed as a Deputy (Court of Protection) or Attorney (under a Power of Attorney). In these matters the solicitor will have access to the client's own account and will make/receive payments directly from/into that account. There is no need for the client's money to be transferred into the law firm's client account.

- 23 To address these issues, we have recently [published a statement](#) of our position regarding firms operating a client's own account. This sets out our expectations over what actions law firms must take in order to ensure that this money is kept safe and managed, with systems and processes in place that are appropriate to their specific circumstances.
- 24 We may wish to amend the rule at some point in the future to squarely reflect the position we have set out in this statement.

<p><b>Objective 3: We will increase the availability of relevant and timely information to help people make informed choices in the legal services market</b></p>	<p><b>On track</b></p>
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- 25 We are on track to deliver this objective.

***Digital Register***

- 26 We continue to develop our new digital register, which will in due course bring together all the information we publish about solicitors and law firms as well as providing information on solicitors and their practice to support our new Standards and Regulations, helping both the public and the profession find what they need. We have been communicating with the profession over the last few months to ensure their information in MySRA, which they own and update, is accurate. Our initial beta – trial - version successfully went live for internal review on 7 October and was shared with Evolve, our virtual reference community of solicitors, the following week. We are developing and refining the product in light of feedback and will be publishing early next month.

***Legal Choices***

- 27 Year two of the Legal Choices development plan, which was put in place to meet recommendations made by the Competition and Markets Authority in its 2016 review of the legal services market, is making good progress with three out of four products designed to help consumers moving to publication as beta – trial - versions in October. The products include a service supporting those who advise and support the public to bundle up issue specific information; an interactive tool that helps people with legal terms and a step through information pathway for people facing eviction. All three products – and the final one of the suite which will

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allow people to look up lawyers disciplinary records regardless of who they are regulated by – will be developed and extended in the light of feedback.

<p><b>Objective 4: We will make sure that our regulatory arrangements work as effectively as possible for the public, businesses, solicitors and firms in the context of constitutional developments within the UK and any new relationship with the EU</b></p>	<p><b>On track</b></p>
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28 We are on track to deliver this objective.

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

29 We are preparing for new money laundering regulations to implement the 5th money laundering directive, due to be transposed by 10 January 2020. We responded to a policy consultation in spring of this year and are expecting the government response to that consultation soon. We expect to see draft regulations shortly, however, in light of the political uncertainty, we will need to work on the basis that we may not see new legislation much in advance of it being enacted.

30 The focus of the new directive is extending the regulated sector and increasing corporate transparency. The policy consultation by Treasury set out that the new regulations will require some changes for the regulated sector and some changes to our processes as an AML supervisor. The main change for us will be to our approval processes for those defined under the money laundering regulations as beneficial owners, officers and managers (BOOMs). We approve BOOMs based on whether they have one of the criminal convictions set out in the money laundering regulations, and for those with whom we already have a regulatory relationship, we currently rely on existing information to make that decision. Under the new money laundering regulations, we will need to see evidence that they do not have a criminal conviction at the point when we make the decision. Essentially this means that additional criminality checks on solicitors will be required when they first become a BOOM, for example upon making partner.

31 We will therefore ask those applying to be a BOOM to acquire and provide us with evidence, in the form of a criminality check, that they meet the requirements for the position. There will be the same process for all applicants, irrespective of whether they are a solicitor, Registered European Lawyer, Registered Foreign Lawyer or someone with whom we don't have an existing regulatory relationship. This is a change from our existing processes whereby we seek the criminality check ourselves for any BOOMs with whom we don't have a regulatory relationship. We intend to start putting out communications on the changes to our processes shortly, well ahead of the introduction of the new regulations.

32 The current money laundering regulations have been in force since June 2017 and our approach has shifted from helping firms to meet their obligations to taking robust enforcement action where we see non-compliance. Our approach to

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supervision has some elements of proactive supervision but we will need to consider whether to shift to a more inspectorate-based approach to make sure we are effective in preventing money laundering.

***Brexit***

- 33 Further to our communications with Registered European Lawyers, Exempt European Lawyers and firms, and the materials we have provided on our Brexit 'hot topic' page, we have now written directly to solicitors working within the EU27 countries to help them to understand their position post Exit day. We continue to work closely with Government departments and provide them and stakeholders with information and assurance around our readiness for a no deal exit.

**Objective 5: We will work better together, and with others, to improve our overall effectiveness, our responsiveness and the delivery of our regulatory functions.**

**On track**

***Practising Certificate Renewal Exercise***

- 34 The 2019/20 practising certificate renewal exercise (PCRE) was successfully launched on 1 October 2019. All renewal forms will be required to be submitted by 31 October 2019. Our teams have been fully prepared to support PCRE with additional staff trained in the Contact Centre to respond to the increase in calls from October to December.

**Section 2: Operational Performance**

***Finance***

- 35 Our financial performance is in line with our reforecast of the budget which took place during August.

***KPIs***

- 36 Our core KPI results for September 2019 were:
- 87% of conduct matters closed within 12 months of receipt against a target of 93%. We expect to be back in line with the 93% target by the end of November, as previously stated.
  - 90% of Compensation Fund claims were closed within 12 months against a target of 90%.
  - 87% of medium / high risk applications closed within 3 months in Firm Based Authorisation against a target of 90% and is expected to be back on target against the 90% target by the end of October as previously

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stated.

**Section 3: External Developments, Publications and Engagement Activity**

***LSB updates***

- 37 We have received an [Exemption Direction from the LSB](#) for an application we made to make minor amendments to three sets of rules and the Glossary in our Standards and Regulations and also for changes arising from the Financial Guidance and Claims Act 2018 to our authorisation of individuals regulations. The Direction was issued on the basis that the changes do not represent a shift in our regulatory approach or policy and relate to recently enacted primary legislation.

***Stakeholder Engagement***

- 38 Our ongoing engagement programme with stakeholders continues. We held a number of events during the party conference season (mid-September to early October) with support from the Chair and Board Members David Heath and Tony Williams and a number of MPs as panellists. Our sessions included: a panel discussion on how technology can deliver access to justice, the state and regulation (focusing on future technology) in partnership with the Institute for Government, and an event focussed on progressive workplace culture with New Statesman. We also held a round table discussion at the Conservative Party conference on transforming corporate culture in partnership with the think tank Bright Blue.
- 39 We have met with Sole Practitioner Group (SPG) members to discuss the needs and requirements of the SPG community. The discussion centred on how we can work better together. We also held the third – of four - in our series of regional events for the profession in Birmingham on the 25 September. The event was well-attended and focused on in-house solicitors and covered our new Standards and Regulations and our enforcement approach.

**Author** Paul Philip, Chief Executive

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