

## **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 2019/20 Work Programme.
  - 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, [paul.philip@sra.org.uk](mailto:paul.philip@sra.org.uk), 0121 329 6940.**

**CLASSIFICATION – PUBLIC**

## **Chief Executive's Report**

### **Section 1: Priorities for 2019/20**

- 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 2019/20 work programme.

#### ***Standards and Regulations launch***

- 4 We launched our new Standards and Regulations on 25 November 2019. Our internal preparations for the launch went to plan with all required operational processes, systems and documentation updated. Our pre-implementation internal training programme was completed with training continuing post-implementation as part of quality assurance activity.
- 5 The new, user friendly [Standards and Regulations online](#) is working well, with positive feedback during testing. We have also updated all relevant content and existing regulatory guidance on our web pages to reflect the new Standards and Regulations. Our [one-stop-shop webpage](#) on the new Standards and Regulations saw more than 25,000 unique visitors in the first eight weeks. We undertook a significant amount of both general and targeted communications with the profession in the lead up to implementation, including highlighting the support resources available.

#### **Progress against our 2019/22 work programme**

- 6 We are making good progress to achieve our goals set out in our 2019/20 work programme. Below I highlight key areas of development to note against each of our objectives.

<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>
--	-----------------

- 7 We are on track to deliver this objective.

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

##### *Firm-wide risk assessments*

- 8 We [published findings](#) of our exercise into firm-wide risk assessments in late October to coincide with our Compliance Conference on 30 October 2019. We found that 20% of the 400 firms we checked were not complying with the requirements in the money laundering regulations, either because they sent us

**CLASSIFICATION – PUBLIC**

something that wasn't a risk assessment (for example a training manual) or because they left out one of the required areas.

- 9 To address this non-compliance, we have [reissued a warning notice](#) about the firm-wide risk assessment, highlighted existing helpful documents and published more information to help firms comply. This information ([a guidance note, a checklist for completing a risk assessment and a template](#)), along with our messages on anti-money laundering at the Compliance Conference, has attracted significant media coverage.
- 10 We are writing out to all firms in scope of the regulations to ask them to confirm that they have a risk assessment and we will begin a sampling exercise to validate the responses we get and to check the quality of risk assessments for a sample of firms each month.

*New money laundering regulations*

- 11 We are also working towards the introduction of new money laundering regulations, which we expect to come into force on 10 January 2020. As the civil service will be bound by pre-election period rules ahead of the 12 December election, we expect that publication of the new regulations could come very late in the day. If regulations are not laid until the week of 16 December, or not until after the Christmas break, solicitors may have difficulties in making changes for day one of the new regulations coming into force.
- 12 We are working to make changes to our processes and will be asking individuals seeking approval from us who hold roles as Beneficial Owners, Officers or Managers in firms we supervise under the regulations to source their own criminality check to prove they are eligible for approval. We raised awareness of this change through communications before and during the Compliance Conference and have a communications plan in place in the lead-up to the new requirements coming into force.

*Anti-money laundering supervisor of last resort*

- 13 HMT has published its response to the select committee recommendations that there should be a process in place should an anti-money laundering supervisor be removed. The response sets out that government will not nominate a supervisor of last resort in the legal sector, but that OPBAS and Treasury would seek to find an alternative supervisor on a case by case basis, based on exiting supervisors' capabilities. This does not expressly cover the position if a supervisor chose to voluntarily step away from being an anti-money laundering supervisor, however, we could assume that the process would be the same.

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

- 14 Preparations for the SQE 2 pilot, which is due to run in December, are well in hand. Over 600 applications were received to participate in the pilot, but we expect a number of these to drop out. We will keep the Board updated on progress.

**CLASSIFICATION – PUBLIC**

- 15 Practical arrangements for the pilot are all in place, with questions written and both actors and assessors recruited. Assessor and actor training will take place in December. We [published the SQE 2 pilot Assessment Specification](#) on 31 October, as well as the [final Assessment Specification for the SQE 1 Functioning Legal Knowledge assessment](#). We will publish a bank of sample questions to accompany this specification before the end of December.
- 16 The Annual SQE conference will be held at the University of Manchester on 17 December. We have continued our engagement with a wide range of stakeholders, including the Association of Muslim Lawyers and the British Nigeria Law Forum, focussing on the potential changes and impact it may have on black, Asian and minority ethnic (BAME) candidates. We have also met with key stakeholders in Wales, including the Welsh Government, Coleg Cymraeg and WJEC, to discuss the provision of SQE in Welsh. We have further meetings in train over the next few months.

***Correspondence from the Junior Lawyers Division (JLD)***

- 17 On 11 November 2019, the JLD wrote to the Justice Select Committee, the Welsh Language Commissioner and the Legal Services Board (LSB) about the SQE. Their letters express support in principle for the SQE, but revisit concerns previously raised in relation to aspects of it.
- 18 The JLD encourage the LSB to seek additional evidence on their points of concern, as part of its consideration of our second approval application, and they again ask the Justice Select Committee (JSC) to hold an evidence session or a short inquiry on the SQE. The JLD made the same request in an earlier letter to the JSC of 21 June 2019. We will keep board informed of any developments.

***Advocacy Consultation***

- 19 Our consultation on regulating advocacy standards closed on 13 November. We received 62 responses. We aim to come back to the Board in Spring 2020 with an analysis of responses and proposed next steps.

<p><b>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</b></p>	<p><b>On track</b></p>
--	------------------------

- 20 We are on track to deliver this objective.

***Publication of the Risk Outlook 2019/20***

- 21 Our [annual Risk Outlook was published](#) in October to coincide with our Compliance Conference. The Risk Outlook communicates our priority risks to

**CLASSIFICATION – PUBLIC**

those we regulate including, why they matter, how they impact firms and how firms can best mitigate them. In the first two weeks of publication the report gained over 1,500 unique page views on the SRA website.

- 22 The main changes to this year's report include better signposting of content to help firms act on the risks identified. It covers the following priority risks: Anti-money laundering, client money, diversity in the profession, information and cyber security, integrity and ethics, dubious investment schemes, managing claims, meeting legal needs and standards of service.

<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>
---	------------------------

- 23 We are on track to deliver this objective.

***Solicitors Register***

- 24 After wide ranging engagement and user testing with both profession and public, we launched our fully searchable Solicitors Register in early November, ahead of publication as part of our suite of Standards and Regulations material. The Register includes solicitors' names, admission date, practising certificate start date, SRA number, information on their practice and any constraints, employer and practising address, with a link to disciplinary records in Check a Solicitor.
- 25 As part of the preparation, we undertook a major campaign to contact all solicitors on the Roll, including those overseas, asking them to ensure their details on mySRA were correct and to advise us of any sensitivities.
- 26 Further work on fully integrating all our registers - including Check a Solicitor a Law Firm Search - into the Solicitors Register is now taking place. We will continue to keep the Register under review as we develop our IT estate and regulatory model, ensuring that it continues to provide an up to date customer service.

***Clickable logo***

- 27 The clickable logo became compulsory for all authorised firms on 25 November 2019. Since introducing the logo on a voluntary basis last year, a small number of firms have raised concerns that using the logo puts a firm at risk of breaching General Data Protection Regulations.
- 28 Our development partner Yoshki, uses Google Analytics to aid reporting. This is to help us understand how many firms are using it and how frequently the logo is being viewed. The concern raised is that a cookie file is used to collect data from the IP address of any website user without their permission. An IP address is personal data under GDPR.

**CLASSIFICATION – PUBLIC**

- 29 We are confident, and have received supporting legal advice, that we have taken appropriate steps to mitigate any GDPR risk. There is no collection of identifiable data – all IP addresses are automatically anonymised. IP addresses collected by Google are not stored, written to disc or utilised further. And no IP addresses are stored by Yoshki or us.
- 30 However, leading up to the logo being compulsory we agreed that Yoshki would turn off Google Analytics to reduce the risk that residual concerns would deter firms from complying the requirement to display the logo. We are engaging with the ICO over the issue.

***Compliance Conference***

- 31 Attendance at our annual Compliance Officers Conference again increased, with around 1,400 people attending and 22 different organisations represented. Initial feedback is positive, with around nine out of ten saying they found the event useful or very useful and that they would attend a similar event again. The programme covered our key priorities, including the implementation of our Standards and Regulations and our Corporate Strategy consultation.

<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>
---	------------------------

- 32 We are on track to deliver this objective.

***Tackling cyber-crime: collaboration with the Microsoft Digital Crimes Unit***

- 33 The Microsoft Digital Crimes Unit (MDCU) is a team of experts consisting of lawyers, investigators, data scientists and analysts, who are sponsored by Microsoft and use the latest tools and technologies to interfere, interrupt and capture cyber-criminals internationally. They also undertake work to try and recover victims' assets. The MDCU has a wide network across law enforcement and government agencies internationally. However, they are not always able to identify and connect with the victims of cyberattacks.
- 34 The MDCU contacted us to see if we could support them with their work in the legal sector in England and Wales. We could not identify any other organisations that provided a similar service, and on that basis, we thought it would be important to work with them. We have agreed to provide firms and individuals reporting cyber-crime attacks to us with contact details of the MDCU. We have also agreed to connect MDCU to our Professional Indemnity Insurance Liaison Committee, which is made up of number of the biggest legal sector insurers. We will also have regular contact with them to help our understanding of cyber-crime in practise. Our collaboration has the potential to directly help people who have been affected by

**CLASSIFICATION – PUBLIC**

cybercrime and may also show criminals that the legal market here is not an easy target.

**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***

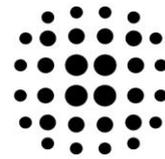
- 35 The PCRE project is successfully on track. As of 19 November 2019, £113.7 million has been collected against a target of £120 million (94.7%). 38,868 renewal forms have been submitted compared to 37,022 in 2018. 136,546 practising certificates have been approved compared to 124,747 practising certificates in 2018. The recent upgrade to our Finance system has resulted in an improved service to our customers. Invoices have been issued quicker which has enabled us to assess and approve practising certificates ahead of all previous years to date.
- 36 The Contact Centre successfully answered 24,276 calls in October. All KPIs were achieved. 83% of calls were answered in 20 seconds and 75% of calls were answered immediately.
- 37 The project team is currently preparing to commence the revocation process. Individuals who have not renewed will have their practising certificates revoked on 4 December 2019.

***Public engagement charter***

- 38 Further to the launch of our Public Engagement Charter earlier this year, we have now published an easy read version. This was something that many organisations suggested throughout our engagement. Our easy read publications, including the charter and annual review summary, are designed to increase accessibility for everyone, including those with learning difficulties or disabilities.
- 39 We are also receiving requests for copies of the public engagement charter from external organisations to support people they work with, for example from the National Pro-Bono Centre in Holborn.

***Staff engagement***

- 40 We had a record number of nominations for our end of year staff awards. Our winners were announced at a celebration event on 13 November 2019.
- 41 We held our latest round of staff engagement events during November and December. This started with the Leadership Team at the end of November, with all line managers and all staff due to attend events over the next few weeks. The purpose of these events is to celebrate our achievements over the last 12 months

**SRA BOARD**  
3 December 2019**CLASSIFICATION – PUBLIC**

and to look ahead at our priorities for next year and beyond as we move towards the new Corporate Strategy.

**Section 2: Operational Performance*****Finance***

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

***KPIs***

- 43 Our core KPI results for October 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.
  - 92% of Compensation Fund claims were closed within 12 months against a target of 90%.
  - 88% of medium / high risk applications closed within 3 months in Firm Based Authorisation against a target of 90%. We expect to back on target by the end of November.

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

- 44 We submitted our latest update to the LSB at the end of October against the three areas they have identified as needing more work as part of their regulatory performance assessment process. We expect them to publish an updated assessment of our performance, alongside other legal regulators, on 13 December 2019.
- 45 On 5 November, the LSB wrote to us with helpful clarification about the list of key issues it expects us to address as part of our second stage SQE application.

***Justice Commission in Wales report***

- 46 The report from the Justice Commission in Wales was published on 24 October 2019. The Commission made a wide range of recommendations, including that the current arrangements for the regulation of the legal professions should continue, that the Welsh Government should fund legal apprenticeships and that the place of Welsh law and the distinctiveness of the law in Wales should be properly reflected in professional and continuing legal education and training. The Commission also recommended that professional legal education must be available in the Welsh language with the phased introduction of the availability of

**CLASSIFICATION – PUBLIC**

all professional examinations in Welsh. We are meeting with Lord Thomas the Commission Chair at the end of January 2020.

***Stakeholder Engagement***

- 47 Our ongoing engagement programme with stakeholders continues. We have shared our work on public legal education, including our work with young people in the youth justice system and our work on Legal Choices, at a meeting of the All-Party Parliamentary Group for Pro Bono and Public Legal Education.
- 48 Our programme of engagement and consultation on our new Corporate Strategy has seen us holding a workshop with charities and consumer groups and a focus group with elderly Asian women. We have shared the strategy with solicitors through our virtual reference communities, and at our speaking engagements. We have also secured around 180 responses from solicitors to a short questionnaire on the strategy. Events planned for December include focus groups with young people in the justice system and young homeless people, as well as further workshops with groups that support vulnerable people.
- 49 We held a Black History Month event after our Compliance Conference on 30 October. Over 80 delegates attended with Anna Bradley and Stephanie Boyce, deputy vice President of the Law Society, speaking about the reasons behind why it is important to encourage a diverse and representative profession.
- 50 We sponsored and attended the 25th Annual Asian Legal Awards hosted by the Society of Asian Lawyers. The Society of British Bangladeshi Solicitors also welcomed us to their annual AGM and event, where we presented to the Society on our reform programme and priorities. In addition, we sponsored and attended the British Nigeria Law Forum annual dinner where we sponsored two awards; rising star and woman of the year with Board member Chris Randall presenting the awards. We also supported the Black Solicitors Network UK Diversity Awards dinner.
- 51 I have also spoken at Hertfordshire County Council with the Public Law Partnership, and Hertfordshire Law Society and we have had our regular quarterly meeting with the City of London Law Society and a bi-annual symposium of its members to discuss our new Standards and Regulations.

**Author** Paul Philip, Chief Executive  
**Date** 25 November 2019