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This paper will be published

Chief Executive's Report

Purpose

- 1 This report provides an update to the Board on our priorities and any key developments that it needs to be aware of. It also provides information on important external developments and our engagement activity with key stakeholders.

Recommendations

- 2 The Board is asked to:
 - a) consider the Chief Executive's report
 - b) agree the candidate fees for the Solicitors Qualifying Exam (SQE) for 2022 / 2023 of £1,622 for SQE1 and £2,493 for SQE2
 - c) agree that we extend the period of time that qualified lawyers who started their qualification under the Qualified Lawyer Transfer Scheme have to complete qualification using the SQE2 until (and including) 31 March 2024.

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

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Update against priorities / key developments

Impact of sanctions on Russian individuals and companies

- 3 The Russian invasion of Ukraine has led western governments to impose sanctions on individuals linked to Vladimir Putin and the Russian government.
- 4 The financial sanctions regime prevents anyone from doing business with individual, companies or ships that have been included on the sanctions list. There are some exceptions to this whereby those on the list can apply for a licence for specific reasons, including to access funds for their basic needs or to receive a legal defence (although legal fees would be capped, normally in line with legal aid rates). The list and enforcement against breaches of the regime sits with the Office of Financial Sanctions Implementation.
- 5 We are expecting new legislation in this area and have been tracking the progress of the Economic Crime Bill through Parliament, which at time of writing, had just been debated in the House of Lords. The Bill could introduce changes to the suspicious activity reporting regime, how information is shared and increase transparency of property ownership.
- 6 There have been a number of comments made in Parliament, both in general and about specific firms that lawyers are helping individuals included on the sanctions list to seek a defence, are not conducting proper checks on clients, or are threatening litigation in a way designed to stifle public debate and discourage public criticism, known as strategic litigation against public participation (SLAPPs).
- 7 As the Board is aware, we have responded by:
 - writing to those making allegations in Parliament asking for further information in order to investigate any misconduct
 - reminding firms of their obligations to comply with anti-money laundering requirements and the sanctions regime in a [press statement](#), and in more detail in our SRA Update newsletter to the whole profession
 - getting in touch with the firms that fall within our Regulatory Management group of firms (Magic and Silver Circle firms conducting high-profile corporate, commercial and finance work, other large City and international firms, national firms, US firms with offices in England and Wales, and multi-disciplinary practices) to make sure they understand their obligations and the importance of compliance in this area
 - commencing a process of spot checks against a sample of firms to assess compliance with the financial sanctions regime

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- issuing [guidance](#) on balancing duties in litigation including strategic litigation against public participation (SLAPP)
 - commencing visits to those firms named in the Parliamentary debate, and engaging in further visits as part of our ongoing rolling programme of inspections to ensure compliance with the money laundering regulations
 - Engaging with stakeholders including the Office for Professional Body Anti-money laundering Supervision, the Legal Services Board (LSB), Ministry of Justice and the Solicitor-General.
- 8 There will be unidentified costs for some of this work that we will need to cover both in this and next year's budget. The main costs will be a system to check firms' clients against the financial sanctions lists, which is necessary because of the number of clients and entries on the list involved and to eliminate false positives. There will be some staff costs involved to pick up this work at short notice.
- 9 We expect that this will continue to get significant attention in the coming weeks with further announcements from government expected on economic crime legislation and the sanctions regime. We will provide a verbal update at the meeting.

Anti-Money Laundering (AML)

- 10 We expect a Statutory Instrument to be laid in late spring making amendments to the money laundering regulations. We expect some changes to our AML supervision and the requirements on firms in scope, but no major changes. However, significant changes to the AML legislation and supervision may be announced by HM Treasury in late June when they publish their response to their call for evidence consultation which closed last autumn.
- 11 We have further improved our methodology for assessing firms' money laundering risk and which we use to target our proactive supervision of firm visits and desk-based reviews. The new method considers a wider set of information, and to further enhance the information on which the risk rating is based, we plan to collect more details from firms about their AML risk, including the amount of work in scope and work with high-risk clients and jurisdictions.

Solicitors Qualifying Exam (SQE) update

- 12 The results for the first SQE1 assessments were successfully issued to candidates on 20 January. We [published](#) headline data on the results, information about how the assessments went and a report from the SQE Independent Reviewer. As a result of a technical glitch, there was a short delay in the issuing of results from 3pm to 9pm. However, all but a very small number of candidates received their results on the day. We are working closely with Kaplan, the SQE assessment provider, to resolve the cause of the delay and minimise the risk of recurrence.

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- 13 Booking for the first SQE2 assessments, which will take place in April, opened on 31 January. We introduced a queuing system to manage the flow of candidates through the system. This worked well. On the first morning, some candidates experienced waiting times of up to two hours but by mid-afternoon candidates were able to go straight through to book their place. Booking closed on 7 March and there is still good availability for all assessment centres. Booking for the July SQE1 assessment opened on 17 March.
- 14 On 15 February, we ran an online event to report on the first SQE1 assessments. Over 500 people tuned in to the event. We also ran a session to get views from training providers on preparation for and delivery of the first assessments. We will follow this up with one-to-one sessions with training providers who request it, after which we will collate feedback and decide whether we need to issue further information or guidance to support training providers.

SQE fee increase for 2022-23

- 15 In July 2020 the Board agreed to extend validations of Common Professional Examination and Qualifying Law Degree courses to academic year 2021/22 for students who accept offers before 31 August 2021 and where the course starts by 31 December 2021. This change to expected SQE numbers resulted in an uplift in candidate fees with effect from 1 September 2022.
- 16 In addition, in September 2021 the Board agreed to the introduction of remote proctoring for contingency and reasonable adjustment purposes which has resulted in an additional uplift with effect from 1 September 2022.
- 17 The Board is therefore asked to agree the SQE fee increase for 2022-23. It will apply from 20 June 2022 when booking opens for the SQE2 assessment in October 2022 as this is the first assessment to take place after 1 September 2022.
- 18 The table below shows the final fee for each of the SQE assessments for 2022-2023.

Assessment	2021/2022 Candidate Fee (incl SRA levy)	2022/2023 Candidate Fee (incl SRA levy)
SQE1	£1,558	£1,622
SQE2	£2,422	£2,493

- 19 This is an overall fee increase of 3.4% for candidates taking both exams. The costs for implementing the functionality to deploy remote proctoring is included in this fee uplift. In the event remote proctoring is actually deployed for contingency purposes there would be additional costs incurred and these would be factored in

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the subsequent year fees as needed. There is no additional cost in deploying remote proctoring for the purpose of reasonable adjustments.

Recommendation: the Board is asked to agree the candidate fees for the Solicitors Qualifying Exam (SQE) for 2022 / 2023 of £1,622 for SQE1 and £2,493 for SQE2.

Qualified Lawyer Transfer Scheme (QLTS) extension of transition

- 20 There were a number of candidates who had passed the first part of the QLTS, the Multiple-Choice Test (MCT), before we introduced the SQE, who wished to sit the second part of the assessment, the Objective Structured Clinical Examination (OSCE), to qualify under QLTS. The final OSCE sitting will take place in April 2022.
- 21 We had already anticipated high demand for final OSCEs as QLTS came to an end and at the September 2020 meeting, the Board decided that the SQE2 could be taken by candidates who had passed the MCT as a substitute for the OSCE, as long as they had done so, and met our other requirements for admission of qualified lawyers, by 1 September 2023 (adding an extra 12 months to the time these QLTS candidates had to qualify).
- 22 Since this decision, there has been ongoing impact of the Covid-19 pandemic (including travel restrictions, social distancing requirements and health concerns). We would like therefore to extend the time that we allow QLTS candidates to take the SQE2 and meet our other requirements to 31 March 2024 to give these candidates the opportunity to book onto further sittings of SQE2. They must be admitted in their home jurisdiction by the same date.
- 23 Spreading the demand across more SQE2 sittings would also help to address capacity for all SQE2 candidates and not just QLTS candidates. We do not see that this extension would adversely affect any candidates.
- 24 We intend to directly communicate this decision to candidates who have passed the MCT. In our communications, we will highlight that while there is no limit on the number of attempts to pass QLTS, the SQE Assessment Regulations limit the number of attempts at SQE to three. QLTS MCT candidates choosing to make use of the transitional arrangements and attempt SQE2 will also be subject to that limit.

Recommendation: the Board is asked to agree that we extend the period of time that qualified lawyers who started their qualification under the Qualified Lawyer Transfer Scheme have to complete qualification using the SQE2, until (and including) 31 March 2024.

Higher Rights of Audience assessment tender

- 25 We committed in our Assuring Advocacy Standards consultation response (July 2020) to appoint a single assessment organisation to standardise the criminal

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and civil Higher Rights of Audience assessments. We tendered in Spring 2021 to appoint an organisation to deliver the assessments on the basis that they would be prohibited from training candidates to avoid any conflict of interest. Despite a positive market sounding exercise, no bids were received. Feedback suggests that Covid-19 reduced the funding and operational capacity of providers to take on additional work. In addition, potential bidders told us that the assessment of candidates alone, without the ability also to offer associated training, was not financially viable.

- 26 Since then, we have been exploring alternative options to standardise the assessments. We will tender again in April 2022, this time for a single provider to deliver the assessment, on the basis that only they could offer the assessment, but both they and other providers can offer the associated training. We will require arrangements to be put in place to minimise any risk of conflict of interest. We will update Board on the outcome of the procurement exercise in September 2022.

Financial Conduct Authority (FCA) regulation of prepaid funeral plans

- 27 From 29 July 2022, the FCA will extend its regulation to pre-paid funeral plans. The FCA has identified that some SRA authorised firms are involved in the selling of funeral plans. This may be, for example, as part of a package that includes the drafting of a will. The SRA, through the Law Society, is a Designated Professional Body (DPB) under Part 20 of the Financial Services and Markets Act 2000 (FSMA). This means that firms authorised by us could continue with this activity without being separately authorised by the FCA (providing the selling of funeral plans arises out of, or is complementary to, another legal service provided to that client), as long as the FCA is satisfied that we have rules in place that achieve the same outcomes for consumers as their own. One option is to do this by firstly looking for similar outcomes between the FCA's rules and our own and then seeking to fill any gaps. This is in keeping with our previous work with the FCA. However, there are very specific outcomes required by the FCA which we are not sure fit with our regulatory approach, and which may result in a disproportionate amount of resource expenditure for us, especially if the scale of pre-paid funeral plan activities at SRA regulated firms is limited.
- 28 An alternative option is to not make rules and require firms carrying out these activities to be regulated by the FCA rather than being able to do so under Part 20 of FSMA – this could be a more proportionate option if pre-paid funeral plan selling is low across our regulated community. We do not currently have data to assess the impact each option would have on SRA authorised firms, the pre-paid funeral sector and consumers. We therefore think it better to issue a discussion paper to explore both options and gather the information we need to decide how we should extend our regulation to this area. The timetable for implementation is challenging, but we are discussing this with the FCA. In the meantime, we would like to move quickly to launch a discussion paper in April.

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Competition and Market Authority recommendations – pilot policy projects

- 29 Our 12-month Quality Indicators pilot, delivered in collaboration with the Council for Licensed Conveyancers and CILEx Regulation, has now come to an end. More than 70 law firms and 10 digital comparison tool providers took part. Ofgem and Ofcom shared their experiences in their own areas, and we conducted research with consumers and law firms. Initial data suggests that engagement with digital comparison tools, from both firms and consumers, has increased significantly during our pilot, which is now moving into its evaluation phase to identify learning points and next steps.

Regulators Pioneer Fund (RPF2) project

- 30 We are entering the final phases of our Access to Justice programme. February saw the delivery of a hackathon challenge at both The University of the West of England and Swansea University. Participants developed new digital solutions to tackle challenges drawn from the access to justice research workshops last November. An emerging approach from the project is that it could be replicated to help address gaps in access to justice provision in other regions around England and Wales.

Agile Nations

- 31 We will soon publish our end-of-programme report. This is intended to document and highlight the Network's progress as the UK's term as Chair comes to an end. It will highlight some key deliverables, such as shared learning on lawtech from different jurisdictions including to support access to justice and guidance to lawtech innovators when exploring business opportunities in other markets.

LawTechUK sandbox support

- 32 We are continuing to provide significant support for the startups in the latest LawTechUK sandbox. Of the eight startups in the cohort, six have submitted queries to us as part of our role in the Regulators Response Unit. The start-ups involved have provided positive feedback for us, and we have been using the same process more widely with other SRA Innovate queries. If we progress to any extension of SRA Innovate or a full new SRA sandbox facility, we will have some key learnings on which to draw.
- 33 Alongside the sandbox, we have provided content for two LawTechUK discussion papers. These are a Legal Data Vision Statement around the opportunity to share data within the industry and a Digital Identity Paper to encourage law firms who to explore the use of digital tools for verification of clients' identity.

Fee restrictions for certain Claims Management activity

- 34 The Board decided to issue a discussion paper, ahead of any formal consultation proposals, relating to how we might meet our legislative requirement to introduce rules to prevent the charging of excessive fees for bringing claims related to

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financial products and services. We decided to use the FCA's proposed approach as a benchmark for asking for evidence of the impacts of fee restrictions on solicitor firms. The FCA is the lead regulator for claims management activities, but the legislation provides that law firms regulated by us do not need to be also regulated by FCA.

- 35 Given the risk of legal challenge, the Board also decided to follow a timescale that allowed the FCA to finalise its position, and to understand any emerging challenges before we issued any formal consultation. We have now been notified of an application for judicial review against the FCA. We have therefore paused activity in order to understand the basis of this challenge and how it may impact our options. We remain in discussion with the Ministry of Justice to make sure that they are content with our approach and timings.

Keeping of the Roll

- 36 We are in the process of finalising the Keeping of the Roll consultation following review by the Chair. Our proposal for consultation will be to reinstate an annual keeping of the roll exercise for solicitors without practising certificates that ensures the Solicitors Roll is kept up to date. There will be an administration charge to pay for it. The consultation will run for eight weeks from 25 March until 20 May, and we will come back to the Board once we have reviewed the responses.

Research

- 37 We have developed and published a Request for Proposal (RFP) to invite econometric specialists to tender for an in-depth study into the unreserved / unregulated sectors. The aim is to better understand the structure and potential future developments across the sectors, and the scope for benefits or detriments to consumers. As well as feeding into policy, it will also be invaluable evidence for our new market insight function in assisting mitigate the risk that we fail to track or respond to developments in the structure of the market. We intend to seek input from the Board, particularly at May's strategy session, to consider ideas relevant for scenario planning.
- 38 In support of the unregulated research and our segmentation work, we have begun trials with an online AI partner to pilot the mapping of legal services provision in the unregulated sector. This work is testing the feasibility of the concept, with the pilot soon to provide data on unregulated sector provision, generating significant interest from the Ministry of Justice and the LSB.

Firm diversity data

- 39 The firm diversity data we collected in 2021 was [published](#) on 1 February 2022, showing improvement in diversity across law firms with more to do, particularly for larger law firms, in driving the pace of change for women, Black, Asian and minority ethnic solicitors and those from a lower socio-economic background.

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- 40 Attached at annex 1 for the Board to note is our current plan for our EDI work for 2022.

SRA Law Society (TLS) collaborative working protocol

- 41 There are three areas listed in the protocol that we have agreed to work collaboratively with TLS on in particular: technology, AML and equality, diversity and inclusion (EDI).
- 42 We continue to liaise regularly with the Law Society on AML matters. Our AML team will be speaking at sessions at the Law Society's Risk and Compliance conference on 25 March.
- 43 We have been working closely with TLS, Costs Lawyers Standards Board, Bar Standards Board and Legal Services Consumer Panel on our Unbundling Pilot, who are all members of the Working Group. TLS has provided advice and guidance and made recommendations of law firms to join our delivery cohort.
- 44 We continue to work closely with TLS on EDI, collaborating on our collection and reporting of diversity data, and co-ordinating our respective involvement in supporting the government's Social Mobility Taskforce. We spoke with the Law Society's EDI Committee after the results of the SQE1 assessment were published. We covered the anticipated attainment gap for Black, Asian and minority ethnic candidates in the first cohort of SQE1 candidates and the scope of our major attainment gap research.

Future Workspace

- 45 As the Board is aware, we successfully returned to the office in September 2021. However, due to a shift in government Covid guidelines, staff were asked again to work from home from 13 December until further notice. Following these guidelines being lifted on 19 January 2022, we opened our offices and allowed staff to return to the office on a voluntary basis for a short period of time prior to closing The Cube and then Martin Lane in February as part of our refurbishment and relocation plans.
- 46 A new location for our London office was secured in January 2022 and the transition to our new serviced office at 125 Old Broad Street was successfully completed on 28 February. Clearance of Martin Lane is progressing well, and we are on track to hand the office back to our landlord on 24 March, when our lease ends.
- 47 We closed the door to floor 14 of The Cube to all staff on 3 February. This allowed us sufficient time to decommission the floor in readiness to hand back to the landlord on the 28 February. Staff will continue to work from home until we launch the newly refurbished Cube, however, we continue to accommodate changes aligned to business need and personal circumstances wherever

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capacity allows. Delivery has not been without its challenges. We have recently incurred minor delays due to the landlord needing to complete essential maintenance works identified during our construction phase. Nevertheless, due to an excellent relationship with our chosen supplier, we have been able to re-plan and minimise the overall impact to the SRA.

- 48 We plan to launch The Cube this month with all staff orientation sessions scheduled to run 29 March – 1 April and all staff returning to the office under the new hybrid working model on 4 April.

LSB performance assessment

- 49 In December 2021, the LSB confirmed that we had [met all of the outcomes](#) required across its regulatory standards. We were assessed on 27 outcomes across five standards: regulatory approach, authorisation, supervision, enforcement and well-led (governance and leadership). This is the second year that we have done so, and we were one of only three legal services regulatory bodies to achieve this.

Stonewall Top 100 employers Workplace Equality Index

- 50 Our work to create an inclusive workplace for LGBTQ+ staff and to promote inclusion in the profession was recognised by Stonewall - we were ranked 28th in the Top 100 employers Workplace Equality Index and given a Gold Award for our activities in 2021. This was a significant improvement from the last benchmarking exercise in 2020 when we joined the Top 100 for the first time ranked 93rd.

Schedule of Delegation

- 51 At its meeting on 22 October 2019, the Board delegated to the Chief Executive the function of agreeing any future changes to the Schedule of delegation. It was last updated on 25 November 2019 and since then there have been a number of changes to job titles, new regulatory provisions and changes to operational procedures that needed to be reflected in it. I considered and made these changes on 24 February 2022. The Schedule of delegation has subsequently been updated [on our website](#).
- 52 The Board is assured that following these changes, the Schedule of delegation is up to date and that decisions are made at the appropriate level and of the standard expected. This assurance will be given to the Board on an annual basis.

Stakeholder Engagement

- 53 Our ongoing engagement programme with stakeholders continues, including meetings with the Solicitor General and the Ministry of Justice Minister Lord Wolfson. I also provided the Legal Services Consumer Panel with an update on a number of current issues, and we have held a liaison meeting with the City of London Law Society.

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- 54 We were involved in the London and Birmingham Legal Walks, which took place for the first time since 2019 and raised more than £700 for the walk charities.
- 55 Our engagement in Wales has also continued with a range of stakeholders including Welsh Government officials, members of the Wales Law Council, the University of South Wales Law School and the Law Society’s Wales Committee. We spoke at a joint event hosted by Legal News Wales and Cardiff and District local law society about the Solicitors Indemnity Fund and financial penalties.
- 56 We hosted a workshop in collaboration with the Legal Innovation Lab at Swansea University for advice agencies in Wales as part of our Regulators Pioneer Fund work looking at advice services and technology. In addition, we hosted a workshop with organisations in Wales supporting people using immigration and asylum advice services as part of our joint work on immigration with the other legal regulators and the Office of the Immigration Services Commissioner.
- 57 We have also met with disability groups on reasonable adjustments and the SQE in December and in March, and with Black Asian and minority groups within the profession in March to provide an update on the findings on the SQE results from the first cohort, and an update on the attainment gap research.

Author Paul Philip, Chief Executive

Date 15 March 2022

Annexes

Annex 1 EDI work plan