



CILEx Regulation  
Strategic Risk Committee  
**Report 2023**

## Chair's foreword - Andy Burman

The past year has continued to challenge CILEX Regulation and the SRC. As we re-establish ourselves post-COVID, looking at hybrid working and all the challenges organisations face, we have also had significant issues to review and consider as part of our work plan. We may not have been able to meet as regularly as we may have liked but we have continued, with the support of the staff team, to remain informed and as up to date as we can in the circumstances.

Work across the legal sector continues to be challenged by economic factors, insurance sector challenges and other factors from external agencies: which has left the SRC and staff feeling that we are being more reactive than proactive. We remain committed to developing data driven and high quality regulation for our part of the sector as well as being committed to a strategic work plan that sees us support and implementation innovation: something we believe CILEX Regulation has demonstrated time and time again.

I would like to take this opportunity to thank my SRC colleagues and the staff in CILEX Regulation for their tenacity, patience and positivity. I would especially like to thank David Pope, who left CILEX Regulation recently, for his support to the Committee in recent years. I look forward to the coming year being focussed on taking CILEX Regulation in the direction we always have: being seen as leaders in this sector.

## Introduction

This report outlines the work undertaken by the Strategic Risk Committee in relation to risk in 2023. It also identifies areas for development of CRL's risk-based approach to regulation.

## Functions of the Strategic Risk Committee

The Strategic Risk Committee (known after as 'the committee') provides an oversight function for the review and application of CRL's risk framework and how this should be applied to our entity authorisation processes. In addition, it can consider and decide whether to endorse decisions made by officers to reject or revoke authorisation for CRL's firms. It also oversees supervision of both regulated individuals and practitioners.

The committee is made up of four members, with one place vacant, comprising Lay and Professional members, all of whom have helped support CRL in its work during 2023. They are Andy Burman, Kim Painter, Vicky Smith and Judith Worthington.

The committee met twice in 2023 with the focus being on the updates related to the CILEX review of regulatory arrangements. The committee has remained fully supportive of both the CRL staff and the regulated firms during 2023 especially with the uncertainty and extra work that this review has created.

## Individual supervision

The committee was provided with an update on CRL's approach to the assessment of ongoing competence and individual supervision of legal professionals. This included sight of the CRL Action Plan that had been submitted to the Legal Services Board and how the practitioner risk matrices would be utilised as part of this process.

## Entity authorisation and supervision

With the reduction in applications to be reviewed, the committee had a verbal update on the work related to the CILEx Regulation Compensation Arrangements. They were pleased that the current arrangements were continuing which would allow firms to still seek authorisation from CRL but understood that further work was required.

## Economic crime

The committee was updated on the work related to Economic Crime including Anti Money Laundering and Financial Sanctions compliance.

The online AML Risk Matrix has been delayed until further notice now as it is not seen as a priority for CRM resources.

## Other areas of oversight

The committee was updated on the progress of CRL's application to become a Designated Professional Body (DPB) under the Financial Services and Markets Act 2000.

## Areas for development in 2024

- Review the approach to ongoing competence and look at the possible future amendments to CRL's approach to supervision.
- Subject to any approval as a DPB, to provide oversight to the implementation of the policies and procedures required to enable CRL firms to deliver ancillary insurance products. The committee will also provide an assessment of potential risks posed by this new initiative and these will be reviewed and considered to determine which risks should be added to CRL's Risk frameworks.
- To provide input into work related to the LSB policy statement on empowering consumers.
- To continue to monitor the implementation of the CRM developments to determine the impact of the technological changes on the assessment of risks posed by the regulated community.
- To continue oversight of the work related to implementing Financial Sanctions.

To review the effectiveness of risk assessments completed by the office and to recommend enhancements to the process.

## Analysis of equality and diversity data fo applicant firms

CRL had reviewed the diversity data for entity authorisation applications processed up to the end of 2021, in relation to gender and ethnicity. Due to the small number of applications received, no detailed analysis has been carried in 2022 or 2023.

The intention is that this information will again be collected once a decision has been made following the CILEX regulatory review and when entity applications start to increase again.

## Conclusion

- The work of the Strategic Risk Committee in 2024 will be dependent on the outcome of the LSB Investigation and decisions on the future regulatory arrangements.
- Otherwise, the committee will continue to focus on guiding the development of our risk policy for individuals and firms.
- The committee will have greater visibility of the data from the practitioner risk matrix and how this may be used in the implementation of ongoing competence in 2023.
- CRL will also maintain its emphasis on AML supervision, progress the DPB application, and focus on financial sanctions under the oversight of the committee.

The committee had expressed a desire to review its effectiveness in 2023 but recognised the additional challenges that CRL staff faced and so this was deferred until the outcome of the LSB investigation was known.

The committee had requested the opportunity to consider how they could be more effective when working remotely, especially in relation to the conduct of the annual review of the application process. This was carried forward to 2024.