

Date	16 October 2024
Item	4.0
Title	Strategic Risk Committee
Author	John Barwick, Chief Executive
Purpose	This paper sets out proposals to extend the remit of the Strategic Risk Committee (SRC) to cover oversight of CRL's corporate strategic risks.
Recommendation	The Board is asked to APPROVE the proposals to extend the remit of the SRC to consider CRL's strategic risks including the amended Terms of Reference at Annex 3 to include provision for a CRL Board member to attend the SRC as an observer.
Timing	SRC to meet in January 2025 to consider 2025 Corporate Plan and Risk Appetite statement prior to the February 2025 Board meeting.
Impact assessment	Having independent oversight and scrutiny of CRL's strategic risk register will help ensure the Board focuses on those risks that are critically important and to consider the effectiveness of mitigations. This will further enhance transparency and confidence in CRL's governance and support the active management of risk including timely horizon scanning
Impact on Regulatory Objectives	Extending the SRC's remit to consider CRL's strategic risks will provide additional assurance that CRL is actively managing risks associated with the delivery of its regulatory objectives.
Implications for Resources	There will be no additional cost as the costs associated with operating the SRC are included in the budget.
Impact on Consumer Empowerment	Enhanced risk management arrangements will help ensure CRL pays appropriate attention to consumer protection objectives and expectations.
Impact on Ongoing Competence	Enhanced risk management arrangements will help ensure CRL pays appropriate attention to the LSB's requirements regarding ongoing competence.
Publication Status	For publication
Appendices	Annex 1 - SRC Rules Annex 2 - SRC Terms of Reference (Current) Annex 3 – SRC Terms of Reference (Revised)

Background

1. The Strategic Risk Committee (SRC) comprises members, Fellows and independent members. It operates as an advisory committee and reports to the CILEx Regulation Board. It is established under the Strategic Committee Rules (**see Annex 1**).
2. The Committee carries out the following functions:
 - Advises the CRL Executive on the development and monitoring of risk in relation to the authorisation and supervision functions at CILEx Regulation for both regulated individuals and authorised entities (including ABS).
 - Review risk frameworks to ensure that they continue to reflect risk, taking into account data provided by the Executive.

- As set out in the Strategic Risk Committee Rules (**See Annex 1**), review and endorse where appropriate decisions made by the Executive.
 - Provide an Annual Report to the CILEx Regulation Board on its work during the preceding calendar year and make such recommendations as it thinks fit concerning the operation of the risk framework falling within its remit.
3. The Committee receives the following information in order to assist them with their duties:
 - Data from CILEx Regulation in relation to its operations
 - Summaries on risk assessments drawn from the wider legal services market
 4. The Strategic Risk Committee comprises a minimum of 3 members made up of:
 - Fellows of CILEx; and
 - Independent members, at least one of whom shall have knowledge or experience of risk management.
 5. The appointment of independent members and Fellows is made by the CRL Board. Appointments are made for a period of five years. At the end of the five-year term the CRL Board may reappoint the member or make a new appointment.
 6. The rules require the SRC to meet at least once each year. Further detail is provided in the current Terms of Reference which can be found at **Annex 2**.

Proposals

7. A wealth of knowledge and expertise resides with the SRC. From discussions with the current SRC Chair, the SRC feels there is a mismatch between the SRC's Terms of Reference, and what the committee does. The SRC is also keen to add as much value as it can and welcomes a closer relationship with the Board. Part of the challenge for the SRC is that their key role on entities authorisation has not been that busy due to the drop off in new entities seeking authorisation. This is a consequence of the uncertainty caused by the CILEX regulatory re-delegation proposals. Therefore, there is an appetite by the SRC and scope to extend the remit of the SRC to consider the broader risks facing CRL.
8. At its February 2024 meeting the Board approved CRL's risk appetite statement and considered a new format for the reporting and monitoring of CRL's Strategic Risk Register (SRR). The SRR is reviewed and presented by the CEO to each Board meeting as part of his CEO Performance Report. The Board is committed to undertaking an annual 'deep dive' exercise into CRL's strategic risks at its November meeting.
9. Although the transparency of the monitoring and reporting of risks has improved, the time available for the Board to scrutinise and constructively challenge how the strategic risks are being managed is naturally limited by competing Board agenda items and the time available. Unlike many other regulatory bodies, CRL does not have a separate risk committee to consider risk management issues. Whilst the Board must retain overall responsibility for the oversight of CRL's risk management framework, there is an opportunity by extending the remit of the SRC to further improve the scrutiny and management of CRL's risk management framework by drawing on the expertise of the SRC membership which includes an independent dimension.
10. In summary, the following amendments to the SRC's Terms of Reference are proposed:
 - Review and provide advice on changes to CRL's risk appetite statement
 - Review any changes to CRL's Strategic Risk Register and advise on the adequacy of mitigation measures

- Advise the CRL Board on potential sectoral risks to inform CRL's annual business planning cycle.
11. As the current SRC Rules do not permit members of any governing body, Board or committee of the Chartered Institute of Legal Executives or the CILEX Regulation Board to be members of the SRC, it is proposed that a member of the CRL Board attends as an Observer. As an Observer, the Board member would not have 'voting rights' in relation to the SRC's authorisation functions. However, their attendance would provide an important link between the Board and the SRC. Alice Belcher has agreed to attend as an observer.
 12. The Board is asked to APPROVE the proposals including the draft amended Terms of Reference at **Annex 3**.



**STRATEGIC RISK
COMMITTEE RULES**

STRATEGIC RISK COMMITTEE RULES

1. CILEx Regulation shall establish a Strategic Risk Committee.
2. The Strategic Risk Committee shall:
 - oversee the application of CILEx Regulation risk based and outcomes focused regulatory strategy and its adaptation to meet changing market conditions;
 - review operation of the risk framework and update/supplement risk rating criteria;
 - determine how the framework should be applied across impact and probability scoring ranges;
 - receive and review data from CILEx Regulation risk operations and receive summaries on risk data assessments on the wider market for legal services;
 - consider and decide whether to endorse decisions made by Operational Risk Group Managers to reject authorisation;
 - consider and decide whether to endorse decisions made by Operational Risk Group Managers to revoke authorisation;
 - consider and decide whether to endorse decisions made by Operational Risk Group Managers to reject designation as an Approved Manager or CILEx Practitioner (ACCA-Probate);
 - consider and decide whether to endorse decisions made by Operational Risk Group Managers to withdraw designation as an Approved Manager or CILEx Practitioner (ACCA-Probate);
 - consider and decide whether to endorse decisions made by Operational Risk Group Managers to:
 - refuse to grant a licence;
 - impose special licence conditions upon a licence;
 - revoke or suspend a licence;
 - refuse an application for approval to be an owner, designated officer or manager of a licensed body; or
 - withdraw approval to be an owner, designated officer or manager of a licensed body.

3. A person or organisation (the applicant) affected by any decision by CILEx Regulation to:
- (1) reject an application for authorisation;
 - (2) revoke authorisation;
 - (3) reject an application for Approved Manager or CILEx Practitioner (ACCA-Probate) designation; or
 - (4) withdraw Approved Manager or CILEx Practitioner (ACCA-Probate) designation;

may appeal against that decision to the Appeals Panel constituted under Part IV of the CILEx Regulation Enforcement Rules.

4. A person or organisation (the applicant) affected by any decision by CILEx Regulation to:
- (1) refuse to grant a licence;
 - (2) impose special licence conditions upon a licence;
 - (3) revoke or suspend a licence;
 - (4) refuse an application for approval to be an owner, designated officer or manager of a licensed body; or
 - (5) withdraw approval to be an owner, designated officer or manager of a licensed body

may appeal against that decision under Part 10 of the CILEx Regulation Licensing Rules.

5. The Strategic Risk Committee shall report annually to the CILEx Regulation Board on its work during the preceding calendar year and make such recommendations as it thinks fit concerning the operation of the risk framework falling within its remit.

6. The Strategic Risk Committee will comprise:

- Fellows of CILEx; and
- Independent members, at least one of whom shall have knowledge or experience of risk management

who shall not be members of any governing body, Board or committee of the Chartered Institute of Legal Executives or the CILEx Regulation Board and provided that the independent members are in the majority.

7. A Fellow who is a member of CILEx Regulation's Professional Conduct, Disciplinary or Appeals Panel shall not be eligible to serve as a member of the Strategic Risk Committee.
8. Appointments of independent members and Fellows shall be made by the CILEx Regulation Board.
9. Each independent member and Fellow will be appointed to the Strategic Risk Committee by CILEx Regulation for a period of five years. Upon the termination of the five-year period of their appointment the Board may reappoint them or make a new appointment.
10. No Fellow or independent member may serve more than two consecutive terms as a member of the Strategic Risk Committee. Where they fail without good reason to fulfil their duties set out in these Rules CILEx Regulation may terminate their appointment whether or not they have completed their current term of office.
11. Where necessary the Strategic Risk Committee may seek advice on matters under its consideration from other persons or sources.
12. At least three members of the Strategic Risk Committee must be present at a meeting to constitute a quorum.
13. The Strategic Risk Committee will appoint one of its members as Chair. The Chair will be appointed for a period of one year. The Chair will be eligible for reappointment but may not serve as Chair for more than three consecutive years.
14. Decisions of the Strategic Risk Committee will be reached by a majority vote. In the case of an equality of votes the Chair shall have a casting vote.
15. The Strategic Risk Committee shall meet at least once each year. Subject to this, where the Committee deems it appropriate it may perform its functions by way of a postal agenda or telephone conference.
16. CILEx Regulation shall have the power to pay fees to members of the Strategic Risk Committee and shall from time to time, determine the amount and basis of payments of such fees.
17. These rules came into force on 5th January 2015 and were subject to changes on 13th August 2019 and 25 October 2021.

STRATEGIC RISK COMMITTEE TERMS OF REFERENCE

The Strategic Risk Committee comprises members Fellows and Independent members. It operates as an advisory committee to the Authorisation and Supervision Directorate.

Duties

The Committee shall carry out the following functions:

- Advise the office on the development and monitoring of risk in relation to the authorisation and supervision functions at CILEx Regulation for both regulated individuals and authorised entities (including ABS).
- Review risk frameworks to ensure that they continue to reflect risk, taking into account data provided by the office.
- As set out in the Strategic Risk Committee Rules, review and endorse where appropriate decisions made by the office.
- Provide an Annual Report to the CILEx Regulation Board on its work during the preceding calendar year.

The Committee will receive the following information in order to assist them with their duties:

- Data from CILEx Regulation in relation to its operations
- Summaries on risk assessments drawn from the wider legal services market

Membership

The Committee shall comprise:

A minimum of 3 members, made up of Fellows and Independent members and will have a minimum of 1 professional member and 1 independent member. The Committee will appoint a Chair, who will have the casting vote where necessary.

The Working Group will be served by an Officer from CILEx Regulation.



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- Review risk frameworks to ensure that they continue to reflect risk, taking into account data provided by the office.
- As set out in the Strategic Risk Committee Rules, review and endorse where appropriate decisions made by the CRL Executive.
- Review and provide advice on changes to CRL's risk appetite statement.
- Review any changes to CRL's Strategic Risk Register and advise on the adequacy of mitigation measures.
- Provide 'horizon scanning' advice to the CRL Board on potential sectoral risks to inform CRL's annual business planning cycle.
- Provide an Annual Report to the CILEx Regulation Board on its work during the preceding calendar year.

The Committee will receive the following information in order to assist them with their duties:

- Data from CILEx Regulation in relation to its operations
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Membership

The Committee shall comprise:

A minimum of 3 members, made up of Fellows and Independent members and will have a minimum of 1 professional member and 1 independent member. The Committee will appoint a Chair, who will have the casting vote where necessary.

A member of the CILEx Regulation Board may attend as an observer but does not have voting rights in respect of the Committee's authorisation functions.

The Committee will be served by an Officer from CILEx Regulation.