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| **Date** | 17 September 2026 |
| **Item** | **07.00** |
| **Title** | **Director of Regulation Report** |
| **Author** | **Simon Blandy, Director of Regulation** |
| **Purpose** | This paper provides the Board with an update on the work of the Regulation Directorate |
| **Recommendation** | The Board is asked to:<br>a) **COMMENT** on CILEx Regulation's draft AML Supervision Report 2025-2026 (Appendix 07.01), and<br>b) **NOTE** these reports. |
| **Timing** | N/A |
| **Impact Assessment** | N/A |
| **Impact on Regulatory Objectives** | The work covered in this report impacts on the following:<br>- encouraging an independent, strong, diverse, and effective legal profession.<br>- protecting and promoting the consumer and public interest; and<br>- promoting and maintaining adherence to the professional principles.<br>promoting the prevention and detection of economic crime |
| **Implications for resources** | This report covers a period in which there continue to be changes in staffing impacting on the operational areas. |
| **Impact on consumer empowerment** | N/A |
| **Impact on ongoing competence** | N/A |
| **Publication status** | For publication |
| **Appendices** | 07.01 [redacted] (NOT FOR PUBLICATION)<br>07.02 draft CRL AML Supervision Report 2025-2026 (NOT FOR PUBLICATION) |

## Introduction

1. This paper provides the Board with an update on the work of the Regulations Directorate including:

   - The work of the Practitioner Team,
   - The work of the Entity Team, and
   - The work of the Enforcement Team.

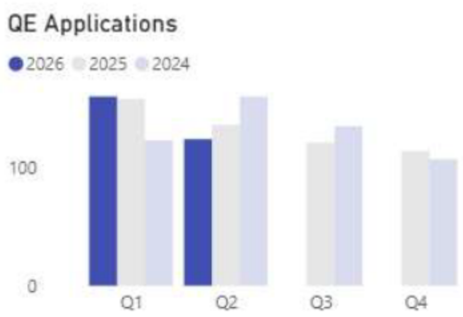
2. The data in this Report is supplemented by the performance data which is published on a quarterly basis.

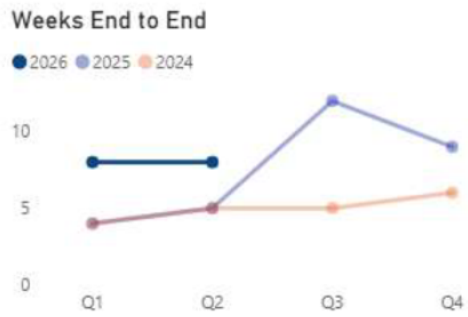
## PRACTITIONER TEAM UPDATE

3. A new PAS Administrator started on 2 September 2026. A second PAS Administrator has been recruited and is due to start before the end of September 2026. These appointments will significantly increase capacity to manage the application process.

### Operations

<u>Qualifying Experience (QE)</u>



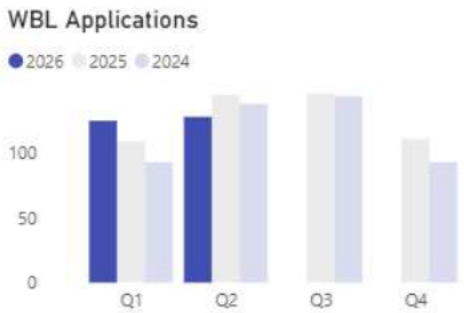



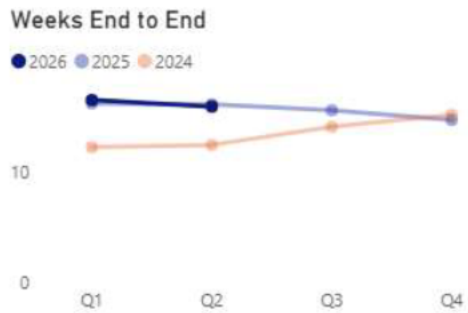

| New applications | | | | |
|---|---|---|---|---|
| **Year** | **Q1** | **Q2** | **Q3** | **Q4** |
| **2026** | 160 | 124 | | |
| **2025** | 158 | 136 | 121 | 114 |
| **2024** | 123 | 160 | 135 | 107 |

| Weeks end to end | | | | |
|---|---|---|---|---|
| **Year** | **Q1** | **Q2** | **Q3** | **Q4** |
| **2026** | 8 | 8 | | |
| **2025** | 4 | 5 | 12 | 9 |
| **2024** | 4 | 5 | 5 | 6 |

- QE applications eased to 124 in Q2, in line with previous years after a peak of 160 in Q1 2026.
- End to end processing time has remained consistent in Q2 at 8 weeks.

<u>Work Based Learning (WBL)</u>




| New applications | | | | |
|---|---|---|---|---|
| **Year** | **Q1** | **Q2** | **Q3** | **Q4** |
| **2026** | 156 | 138 | | |
| **2025** | 109 | 145 | 146 | 111 |

| Weeks end to end | | | | |
|---|---|---|---|---|
| **Year** | **Q1** | **Q2** | **Q3** | **Q4** |
| **2026** | 17 | 19 | | |
| **2025** | 16 | 16 | 16 | 15 |

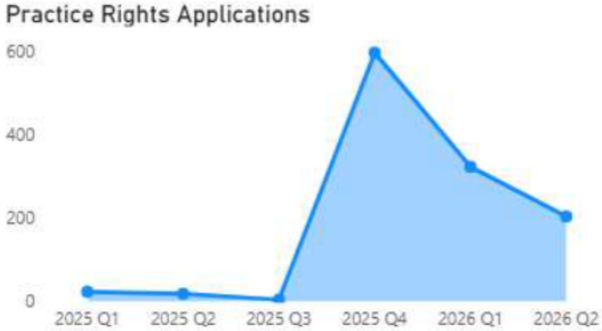
| | | | | |
|---|---|---|---|---|
| **2024** | 93 | 138 | 144 | 93 |

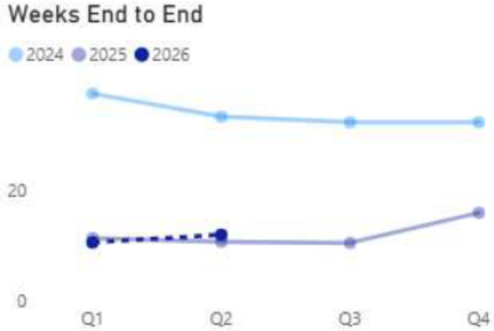
| | | | | |
|---|---|---|---|---|
| **2024** | 12 | 13 | 14 | 15 |

- WBL application volumes have increased in 2026, reaching 156 in Q1 and 138 in Q2, the highest compared to the same periods in 2025 and 2024.
- End to end time processing time increased to 17 weeks in Q1 and 19 weeks in Q2 2026, exceeding both 2025 and 2024 levels.
- Additional external assessors have been appointed to reduce the time taken for portfolios to be assessed and will have a positive impact on reducing end to end processing time.

## Practice Rights & Advocacy

### Practice Rights



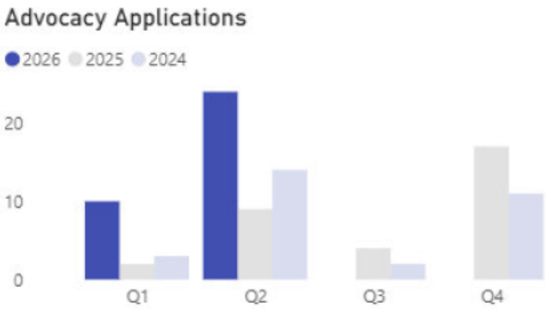




| New applications | | | | |
|---|---|---|---|---|
| **Year** | **Q1** | **Q2** | **Q3** | **Q4** |
| **2026** | 322 | 203 | | |
| **2025** | 23 | 18 | 4 | 595 |
| **2024** | 29 | 16 | 23 | 10 |

| Weeks end to end | | | | |
|---|---|---|---|---|
| **Year** | **Q1** | **Q2** | **Q3** | **Q4** |
| **2026** | 11 | 12 | | |
| **2025** | 11 | 11 | 11 | 16 |
| **2024** | 37 | 33 | 32 | 32 |

- Practice rights applications remain high, although they have slowed down in Q1 and Q2 following the peak in Q4 2025.
- End-to-end processing times have been relatively stable in 2026 at 11 weeks in Q1 and 12 weeks in Q2.

### Advocacy




| New applications | | | | |
|---|---|---|---|---|
| **Year** | **Q1** | **Q2** | **Q3** | **Q4** |

| | | | | |
|---|---|---|---|---|
| **2026** | 10 | 24 | | |
| **2025** | 2 | 9 | 4 | 17 |
| **2024** | 3 | 14 | 2 | 11 |

- Advocacy applications continue to remain high compared to 2024 and 2025.

**ENTITY TEAM UPDATE**

Designated Professional Body (DPB) application.

4. The FCA have been pressed to respond to the request made in May 2026 as to the process for CRL to secure DPB authorisation.

Compensation Arrangements Review

5. There is a webinar for CRL authorised entities on 10 September 2026 to provide regulatory and operational updates relevant to authorised firms. The webinar will include a discussion on CRL's compensation arrangements.

Operations

6. There are currently 22 authorised entities, with a further nine applications in progress. Most applicants intend to provide civil litigation and advocacy services, including two firms proposing to offer immigration and family litigation services. One application relates to the provision of probate and wills services. Of the active applicants, four are solicitors and five are FCILEX practitioners with relevant practice rights, demonstrating continued interest in entity authorisation across both professional groups.

7. Applications continue to progress through the assessment process, with two firms receiving provisional authorisation during August, one of which has since gone on to achieve full authorisation.

8. Progress remains largely dependent on the submission and review of updated documentation. Two immigration-related applications remain on hold pending further information from applicants. A number of applications have been delayed whilst PII issues are resolved.

9. Follow-up enquiries have been issued to authorised entities regarding supervision arrangements for litigation services following the publication of guidance in May 2026. Responses received to date indicate that most firms either do not supervise unqualified staff undertaking litigation work or that all relevant staff hold appropriate authorisations. A summary report will be prepared once all responses have been received.

10. [redacted]

Entity Performance Update

| CILEX Authorised Firms (exc ABS) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| **2026** | **19** | **18** | **19** | **19** | **20** | **20** | **20** | **21** | | | | |
| **2025** | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 19 |
| **2024** | 20 | 18 | 19 | 19 | 20 | 20 | 21 | 20 | 20 | 20 | 20 | 20 |
| **ABS** | | | | | | | | | | | | |
| **2026** | **1** | **1** | **1** | **1** | **1** | **1** | **1** | **1** | | | | |
| **2025** | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **2024** | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **Applications Granted Full Authorisation** | | | | | | | | | | | | |
| **2026** | **0** | **0** | **1** | **0** | **1** | **0** | **0** | **1** | | | | |
| **2025** | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **2024** | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| **Renewals Authorised** | | | | | | | | | | | | |
| **2026** | **5** | **2** | **1** | **0** | **0** | **0** | **1** | **0** | | | | |
| **2025** | 1 | 1 | 1 | 2 | 2 | 3 | 3 | 3 | 4 | 2 | 1 | 0 |
| **2024** | 2 | 2 | 3 | 2 | 1 | 1 | 2 | 1 | 2 | 2 | 2 | 2 |

ACCA Performance Update

| ACCA Probate Firms | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| **2026** | **35** | **35** | **35** | **35** | **35** | **35** | **35** | **36** | | | | |
| **2025** | 39 | 40 | 40 | 40 | 36 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| **2024** | 37 | 37 | 39 | 38 | 37 | 38 | 37 | 38 | 38 | 38 | 38 | 38 |

## ECONOMIC CRIME UPDATE

AML Statement (2026 Cycle)

10. The 2026 AML Statement cycle has now concluded, and initial findings continue to indicate an improvement in AML compliance maturity across the regulated population. Firms have successfully embedded much of the feedback and guidance provided through previous review cycles, resulting in stronger governance arrangements, improved customer due diligence procedures and more mature sanctions compliance frameworks.

11. The findings will inform CRL's risk-based supervisory activity and inspection programme throughout the remainder of 2026.

AML Supervision Report

12. The Board is asked to comment on the draft AML Supervision Report for 2025-26 (at Appendix 07.01). The Strategic Risk Committee will be asked to approve this Report at its meeting in October 2026.

13. The findings of the draft AML Supervision Report suggest a significant improvement in AML compliance standards across the supervised population, with no significant system-wide compliance failures identified. Key findings currently include:

- 100% of firms reviewed achieving a compliant outcome.
- Significant improvements in AML governance, customer due diligence and sanctions compliance.
- Increased adoption of electronic verification and sanctions screening tools.
- Improved Practice-Wide Risk Assessments and AML documentation.
- No AML-related enforcement action during the reporting period.

Sectoral Risk Assessment

14. The Sectoral Risk Assessment 2025 will be published shortly.

15. The draft assessment indicates that the overall risk profile of the supervised population has improved sufficiently to support a reduction in the sector risk rating from Medium to Low Risk. This is attributed to improvements in AML governance arrangements, customer due diligence controls, sanctions compliance frameworks and the overall maturity of firms' AML compliance arrangements.

SAR Thematic Review

16. CRL has completed a thematic review of Suspicious Activity Reporting (SAR) arrangements across its supervised population. The review assessed firms' SAR policies, procedures, controls and governance arrangements, including SAR Portal registration, internal reporting processes, training, decision-making records and the integration of SAR considerations within AML risk assessments. Responses and supporting documentation were received from 13 of 23 supervised firms, representing a 57% response rate. The review found that most responding firms had established basic SAR controls and demonstrated awareness of their reporting obligations.

17. Following on the review, CRL will provide additional support to CRL firms, including guidance on documenting suspicions and MLRO decisions.

Board Assurance

18. Recent supervisory activity indicates a continued improvement in AML compliance standards across the supervised population. The draft AML Supervision Report and draft Sectoral Risk Assessment provide evidence of a more mature compliance culture, improved control frameworks and a reduction in CRL's overall supervised sector risk profile, subject to completion of the peer review process. CRL will continue to focus supervisory activity on residual risk areas and emerging economic crime threats to ensure standards continue to improve.

**ENFORCEMENT TEAM UPDATE**

19. A new Administration Assistant was appointed in July 2026 and commenced employment in early August 2026. Their initial focus is to assist with the set-up of new complaints. The new assistant is also supporting work on prior conduct cases, including initiating enquiries and making delegated decisions..

20. One of the investigators left on 1 September 2026 allowing for a short handover with the newly appointed investigator who started on 24 August 2026.

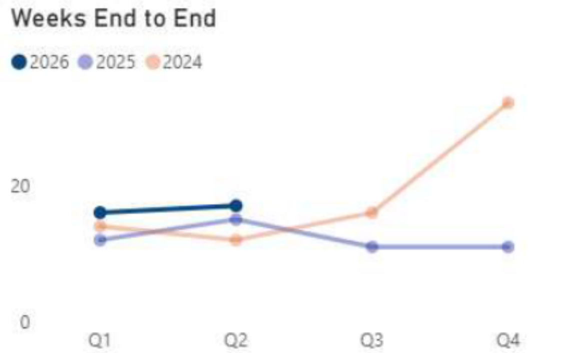
Panels

21. The PCP met in July and is due to meet again on 10 September 2026. The final two meetings for the year set for November and December. The meetings in November and December will provide an opportunity for all recently appointed lay PCP members to sit and determine prior conduct and misconduct matters alongside an experienced chair.

22. The DT resumed its deliberations in a longstanding, highly contested case on 30 July and found all charges of professional misconduct proved. At the further hearing on 24 August 2026 the DT determined that the Respondent be permanently excluded (with a 10 year minimum period before they can apply for reinstatement) and pay CRL's costs.

23. An Appeals Panel hearing scheduled for 10 September has been cancelled following the Appellant's withdrawal of their appeal. There are currently no outstanding appeals awaiting determination.

Prior conduct


| New Declarations | | | | |
|---|---|---|---|---|
| Year | Q1 | Q2 | Q3 | Q4 |
| 2026 | 132 | 104 | | |
| 2025 | 121 | 95 | 88 | 151 |
| 2024 | 100 | 60 | 71 | 74 |

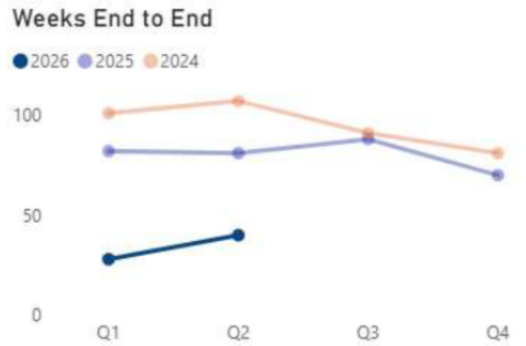
| Weeks to disposal for all cases | | | | |
|---|---|---|---|---|
| Year | Q1 | Q2 | Q3 | Q4 |
| 2026 | 16 | 17 | | |
| 2025 | 12 | 15 | 11 | 11 |
| 2024 | 14 | 12 | 16 | 32 |

- Prior Conduct declaration volumes remain significantly higher in 2026, with 236 declarations received year-to-date (Q1-Q2) compared to 216 in the same period of

2025 and 160 in 2024, representing a 9% increase on 2025 and a 48% increase on 2024.

- Timeliness of case disposal has slightly decreased in 2026, with average end-to-end completion times of 16-17 weeks in Q1-Q2 2026, compared to 12-15 weeks in 2025 and 12-14 weeks in 2024 for the same period.

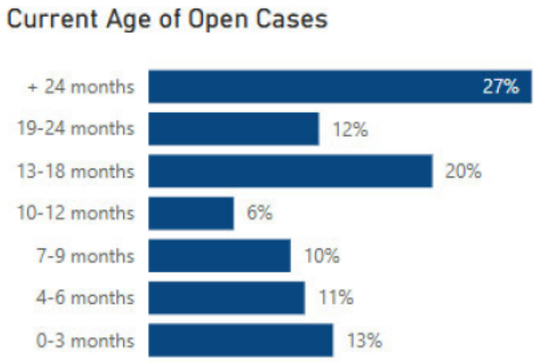
Misconduct


| New Complaints | | | | |
|---|---|---|---|---|
| Year | Q1 | Q2 | Q3 | Q4 |
| 2026 | 24 | 14 | | |
| 2025 | 29 | 35 | 28 | 24 |
| 2024 | 19 | 13 | 20 | 22 |

| Average weeks to disposal for all cases | | | | |
|---|---|---|---|---|
| Year | Q1 | Q2 | Q3 | Q4 |
| 2026 | 28 | 40 | | |
| 2025 | 82 | 81 | 88 | 70 |
| 2024 | 101 | 107 | 91 | 81 |

| Age Grouping | % |
|---|---|
| 0-3 months | 13% |
| 4-6 months | 11% |
| 7-9 months | 10% |
| 10-12 months | 6% |
| 13-18 months | 20% |
| 19-24 months | 12% |
| + 24 months | 27% |




- New misconduct complaints have reduced in 2026, with 38 cases received year-to-date (Q1-Q2) compared to 64 in the same period in 2025.

- Case resolution times have improved significantly, with average disposal times of 28 weeks in Q1 and 40 weeks in Q2 2026, substantially lower than the equivalent periods in 2025 and 2024.

- The Team are trialling a new approach to the assessment of incoming reports. In advance of a detailed review, the reporting party is notified where reported concerns either fall outside CRL's regulatory remit or fail to meet the threshold for further consideration. These matters are not formally logged as misconduct cases on the basis that they do not indicate a breach of the Code of Conduct. The aim is to improve transparency, manage expectations at an earlier stage and ensure resources are focused on matters which fall within CRL's jurisdiction and warrant further investigation.

**INFORMATION ANALYST**

24. Development work to integrate and migrate Work Based Learning to the new PAS tracker has begun, with plans to launch this by the end of Q3 2026. Feedback is continuously sourced from the Qualifying Employment team to develop the existing tracker. End to end processing time has decreased for Qualifying Employment, down to 5 weeks in August, suggesting the improvements have had a positive effect on efficiency.

25. The Interim Misconduct Excel Tracker has been launched, and new data of case action is now being collected to allow further insight into case progression, develop team and individual behaviour and performance.

26. The project to review Prior Conduct fields and processes will begin at the end of Q3 2026 with engagement from the Regulatory Support Lead and Enforcement team.