

# Licensing Authority Application

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### **Contact Details:**

All correspondence about this application should be addressed to:

David Pope, Entity Authorisation and Client Protection Manager  
CILEx Regulation  
Kempston Manor  
Kempston  
Bedford  
MK42 7AB

Email: [david.pope@cilexregulation.org.uk](mailto:david.pope@cilexregulation.org.uk)

Tel: 01234 845702

Company registration number: 0671409

## **Introductory statement by Chair of CILEx Regulation and the Chair of the Chartered Institute of Legal Executives**

This application to become a licensing authority is submitted by CILEx Regulation on behalf of the Chartered Institute of Legal Executives (CILEx).

We see this application as integral to the opportunities developed for CILEx members in recent years. We believe that by widening the choice of legal providers for consumers as well as the choice of regulator for legal professionals seeking to run their own firm, we are helping to encourage competition within the legal services market.

For over 50 years CILEx has offered a uniquely flexible route into a career in law for school leavers, graduates, legal support staff, mature students and those with family responsibilities. With membership drawn from a wider social background than other legal professions, we understand the importance of CILEx members being able to draw on a wide range of support to achieve their individual career ambitions.

We believe that it is right that we therefore ensure our firms are also able to bring external investment, advice and knowledge into their ownership to enable them to operate as successful businesses.

Our approach to entity regulation has been risk based and outcomes focused. Proportionate rules and regulations support high standards whilst enabling providers to focus on delivery. Our entity authorisation has been founded on understanding our regulated members' business models and ensuring that entities have in place the right processes and procedures to deliver on day one.

For those seeking to be regulated by CILEx Regulation as a licensed body, we will provide the same support and business understanding during the authorisation process. We are confident we have built on strong operational arrangements to deliver a robust and proportionate licensing programme.

# **Part 1: Background to the application**

## *In summary*

1. CILEx Regulation submits this application with a view to developing competition and diversity in the legal services market. CILEx and CILEx Regulation are uniquely placed in the market in terms of the diversity of membership and a lack of prescription in regulatory arrangements. This could present significant opportunity for new business models, working cultures and consumer choice.

## *About CILEx*

2. The Chartered Institute of Legal Executives (CILEx) is the professional membership body for Chartered Legal Executives and other legal professionals.
3. CILEx is an approved regulator under section 20 of the Legal Services Act 2007 (the Act). CILEx Regulation (previously ILEX Professional Standards) was established by CILEx in accordance with the provisions of the Act and clause 13 of its Charter, to carry out regulatory activities in October 2008.
4. CILEx Regulation's independence is safeguarded under existing governance rules as well as the Legal Services Act itself. In addition to the Internal Governance Rules, there are protocols in place to govern the arrangements between CILEx and CILEx Regulation in order to ensure the independence of regulatory functions.
5. CILEx Regulation has powers to authorise the following:
  - rights to administer Oaths;
  - rights of audience to Chartered Legal Executives since 1998;
  - rights of audience and rights to conduct litigation to Associate Prosecutors since 2011.
  - rights to conduct litigation to Chartered Legal Executives since 2014;
  - reserved instrument and probate rights since 2014; and
  - entity regulation since 2015.
6. CILEx was a designated professional body under the Immigration and Asylum Act 1999 for the purpose of awarding immigration practice rights. Under Schedule 18 of the Legal Services Act, approved regulators who award immigration practice rights became designated qualifying regulators.
7. CILEx Regulation has had the power to authorise immigration practitioners since 2001 and immigration practice rights since 2014.
8. In this application legal practices are referred to as entities in accordance with The Legal Services Act 2007 (Chartered Institute of Legal Executives) (Modification of Functions) Order 2014.

9. CILEx Regulation is responsible for the regulation of CILEx members, CILEx Practitioners and entities. It develops and promotes standards of conduct and ensures compliance by its regulated community with them. It has a strong record for robust and proportionate regulation in the public interest.
10. CILEx Regulation regulates the education and training requirements for Chartered Legal Executives and CILEx Practitioners and has oversight of the CILEx qualification schemes which deliver the academic requirements for admission as a Chartered Legal Executive and CILEx Practitioner. It is responsible for assessing the qualifying employment and work based learning scheme for Chartered Legal Executives, the qualification schemes for practice rights and the continuing professional development scheme for CILEx members and CILEx Practitioners.

### *Expanding choices for lawyers and consumers*

11. Diversity and access to legal services are known problems in the legal services market. Only 33% of consumers with a legal need will seek professional advice. Only 10% will take advice from a solicitor or barrister (IPSOS MORI 2016). In addition, according to a Kingston University research report in 2015 on the legal needs of small businesses<sup>1</sup>, 83% of businesses see legal services as unaffordable.
12. CILEx provides a uniquely accessible route to qualifying as a lawyer. Members can begin the study of law at a low cost while working full-time. In addition, the CILEx route has traditionally been the only route to qualification as a lawyer which does not require university attendance. This has always offered a diversity of opportunity which is borne out by the make-up of the CILEx membership. For example:
  - 75% of the total membership are female;
  - 81.5% of the total membership do not have parents who attended university; and
  - only 2% of the total membership have a parent who is a lawyer.
13. Unusually CILEx lawyers also tend to develop from a very junior level and work their way up, learning 'on the job'.
14. Since 2015, CILEx members have been able to work towards setting up their own law firm, providing reserved legal services through authorisation by CILEx Regulation. This is a significant step forward in opening up opportunities to CILEx's diverse membership. More importantly for regulatory purposes, it is also an opportunity to expand the diversity of service providers available to

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<sup>1</sup> The legal needs of small businesses An analysis of small businesses' experience of legal problems, capacity and attitudes R Blackburn, J Kitching, G Saridakis Kingston University 2015

consumers. An ABS licence will open up further opportunities for CILEx members to set up their own law firm and to develop new business models, including to seek outside investment. We already know from The Innovation in Legal Services report<sup>2</sup> by the LSB and SRA (July 2015) that ABSs tend to be strong on innovation and in the provision of new services.

15. It is difficult to predict what type of new business models CILEx members will develop once ABSs are permitted and over what period. However, what is clear is that there is a need for greater innovation in the legal sector and that CILEx membership brings a level of diversity which is unique. As indicated above, we believe that greater diversity of opportunity within the legal market can also assist in developing consumer choice and finding better ways to deliver better services. We are passionate about submitting this application with this goal in mind in particular.
16. CILEx Regulation wants to explore with different types of organisation whether there is a way to widen choice to consumers by linking strong existing business services to the provision of legal advice to consumers via ABS. We will look to build on the findings of research that suggests we are seen as having a '*better understanding of the market*' and '*likely to be more in tune with the needs of specific businesses*' as well as being the '*natural choice*' regulator for members.
17. CILEx members would also have the benefit of operating within an outcomes focused, risk based, proportionate and flexible regulatory regime. Our conduct rules demand high standards of those we regulate but without being overly prescriptive or disproportionate. We believe that investors and lawyers will have significant freedom to structure businesses in a manner which best suits them and their client base without having to work around inflexible limitations.

### *Meeting demand*

18. Since commencing entity regulation CILEx Regulation has received a number of enquiries from businesses interested in setting up a CILEx Regulation licensed ABS or transferring to the CILEx Regulation regime. However, to date we have been unable to progress these enquiries.
19. We commissioned IRN Research to survey CILEx members online in October and November 2015 to help us understand demand for practice rights and ABS.
20. They received an 8% response rate (897 responses). A similar survey in 2013 showed a 9% response rate. Chartered Legal Executives accounted for 68% of responders.
21. This confirmed that the majority of members (83%) were aware of individual practice rights and that 32% of respondents were positive about operating independently. This equates to 287 entities and is broadly in line with previous research in 2013.

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<sup>2</sup> Innovation in Legal Services S Roper et al 2015 for the Legal Services Board and the Solicitors Regulation Authority

22. Of those looking to operate independently, 48% were positive about operating as an ABS. This equates to 114 ABS. A further 30% might consider it.
23. When asked to consider how operating as an ABS might be of benefit to them, it was clear that accessing additional business skills was a priority for CILEx members. As CILEx members, including Chartered Legal Executives, are not required to complete any formal practice management or finance and accounts management training within the individual qualifications, this highlights the opportunities that becoming a licensing authority can offer to CILEx members.

24. The following table sets out these results in more detail to the following question:

<i>There are various ABS operating models, which of these might interest you (Please tick as many as you like)?</i>	<b>Fellow</b>	<b>Total</b>
Bring a non-lawyer, such as an accountant, finance director, marketing director, into the ownership of the business	63	65
Bring a family member into ownership of the business	19	24
Extend your existing business, which has a non-lawyer owner, to also provide reserved work	21	23
Attract external funding from an individual investor	22	27
Attract external funding from an institutional investor	12	18
Acquire or merge with another business	26	30
Other models	9	10
Sample respondents	276	1,225

25. Compared to the results of the 2013 LSB ABS survey, which found that promoting non-lawyers to management of the business was valued by 23% of respondents, this indicates that many CILEx members see this as an important driver in being able to set up their own business.
26. We conducted further research in 2017 to understand the best approach to addressing risk and developing our ABS application process. We contacted 197 members who had previously expressed an interest in using an ABS model for their own entity. There were 44 responses to our survey (22%) and we believe this reinforces our view that there is an appetite amongst CILEx members to use ABS to deliver legal services.
27. However, we are also conscious of more recent research, and our own experience from regulating entities to date, that some members are considered in their approach to setting up on their own. While we are confident that the demand exists for ABSs within the CILEx membership and beyond we are not assuming that exceptionally large numbers of applications will be received straight away. Although research on demand is promising we have taken a reasonably measured approach in our business plan to the number of applications we expect to receive.

#### *Activities to which this application relates*

28. Both CILEx and CILEx Regulation have approved this application for designation.

29. This application is made, in accordance with rules issued by the Legal Services Board under Part 1 of Schedule 10 of the Act, for CILEx to be designated as a licensing authority for the following reserved legal activities:

- the exercise of rights of audience;
- the conduct of litigation;
- probate activities;
- reserved instrument activities; and
- the regulated legal activity, provision of immigration advice and services, in accordance with the Immigration and Asylum Act 1999.

## Part 2: Our approach to licensing ABSs

### *In summary*

30. While there are clear differences in the regulatory framework between ‘traditional’ practices and ABSs, we are not satisfied that there is reliable evidence to suggest that ABSs pose a greater regulatory risk of consumer detriment (or otherwise)<sup>3</sup>. The statutory regime already requires regulators to subject ABSs to a number of in-depth and prescriptive checks. This includes applying fit and proper assessments to certain owners and parent undertakings of owners where applicable. There are also statutory duties placed upon investors and other non-lawyers involved in ABSs to not obstruct compliance with regulatory requirements.

31. With these points in mind our approach to regulating ABSs broadly seeks where possible to:

- apply existing standards for our CILEx Authorised Entities to ABSs; and
- build upon the existing statutory framework and requirements for regulating ABSs and investors.

32. We recognise that regulating ABSs will at times involve assessing more complex ownership structures than is presently the case and applying a number of technical requirements for the first time. So we will amend our existing processes to take these into account. We have conducted research with interested members on how we may best do this and this is set out in Part 5 and Annex XXX. This research indicates that our approach to addressing the additional requirements is likely to be effective in obtaining the additional information

<sup>3</sup> While some [press reports](#) have highlighted a number of ABSs which have failed to live up to expectations or failed altogether, a recent [government report](#) highlighted that to date complaints data suggests that there is no greater risk posed by ABSs in service terms and that front-line regulators appear to have formed the same view more broadly. This is supported by recent comments by the [SRA](#): “All the evidence suggests ABS are good for competition and improving choice, while posing no greater regulatory risk.”.

required. In order to ensure both effectiveness and efficiency we propose to make use of existing entity authorisation processes as far as possible and to roll out a programme of staff training to address this key risk areas.

### *A consistent approach to risk*

33. CILEx Regulation is an experienced activity based regulator, awarding practice rights and entity authorisation by specialism. We use this experience and the information gathered to understand our businesses, be proportionate in our approach and always be open to innovation in the delivery of legal services.
34. In assessing applications for authorisation of entities CILEx Regulation assesses the risks to delivery of the Principles and supporting Outcomes set out in its Code of Conduct. Its risk assessment framework forms the basis for assessment of applications for entity authorisation. The framework forms part of existing regulatory arrangements. This has been provisionally reviewed by the Strategic Risk Committee in the context of ABS regulation, The frameworks will be developed further to take into consideration risks with ABS around ownership and regularly reviewed to take into account emerging risks.
35. After authorisation CILEx Regulation gathers intelligence on risks on an ongoing basis. This is used to identify areas for supervision activity and to provide alerts to entities on risks that might affect them. Our recent work has covered the risks of cybercrime and fraud, as well as the increased demands that the Money Laundering Regulations 2017 will present to the supervised community. We are looking to develop this further based on work already carried out on Risk Management information provided via the CILEx Regulation website and by Risk update emails to entities.
36. CILEx Regulation will adopt a broadly consistent approach to ABS and non-ABS applicants by using the same risk framework, with some additions to address risks specific to ABS, for authorisation and supervision. All ABSs will:
  - make annual information returns and, where they hold client money, submit an annual accountant's report, informing each entities risk profile;
  - be subject to First-tier complaints handling rules within the Code of Conduct which require entities to signpost clients to the Legal Ombudsman for service matters (and to CILEx Regulation for conduct matters), enabling the escalation of high-risk events where these have not been resolved informally;
  - have in place professional indemnity insurance through a qualifying insurer;
  - have to contribute annually to compensation arrangements set up to recompense clients of an entity regulated by CILEx Regulation who incur loss due to dishonesty or failure to account.

### *Information to be sought from applicants*

37. The information sought from applicants will be targeted to the approval criteria and be risk based. A certain level of information necessary for these purposes

will be sought from all applicants initially (see below) with more detailed information only being sought where a specific risk has been identified.

38. We will build on our existing approach to entity regulation seeking the following information in all cases:

- structure of applicant organisation (organisation type, trading names, premises);
- area/s of legal practice (client types, make up of fee income, vulnerable clients);
- management and staff (details of managers, identification of owners, qualified staff, HoLP, HoFA);
- fitness to own/regulatory arrangements (previous regulatory history);
- professional Indemnity Insurance (details of CILEx approved PII);
- consumer service (complaints history);
- systems and procedures (managing risk throughout the business);
- financial information including holding client money (source of funding, cashflow, business plan).

39. This information can be provided in the application form and gives us a clear understanding of the proposed law firm and the experience and background of the managers. We will continue to discuss with applicants the reasons for the information we request and how this is to be used. By providing this clear approach at the outset, we can identify gaps and/or risks in an applicant's experience /knowledge /approach so these can be addressed at an early stage. If they are a member they would then be referred back to CILEx to advise on the support, training, or qualifications required.

40. The information we request is designed to ensure that we can establish that a firm has appropriate individuals, processes and procedures in place on day one. Although primarily intended to safeguard the regulatory objectives, we believe that this is also valuable for applicants where they are setting up a new business for the first time, as it ensures that their regulatory arrangements are satisfactory at the outset before they commence work.

41. The information we request from applicants also includes consideration of documents that should be used by the applicant to:

- deliver client care information;
- manage business processes, and
- provide financial control and management.

### *Specific Risks identified for ABS*

42. The number of ABS licensed has now grown across all the regulators. Whilst it remains that there has been no evidence of a greater risk being posed by the ABS model, we have considered which specific risks we need to address within

our risk framework and how we may build continual review of this particular sector within our processes.

43. We have consulted with our Strategic Risk Committee (SRC) on the additional considerations that should form part of the risk framework. They believe that the specific risks we need to address are:

- to clearly understand ownership and connected businesses; and
- the risk of undue influence from non-lawyers on the standards within an entity, which should be incorporated into the assessment process.

44. We have also agreed to review and set out clearly how the regulatory objectives are achieved within our risk framework for ABS entities. These pieces of work will be completed during 2017.

45. In addition we discussed with our Qualifying Insurers their attitude to risk for licensed bodies and the key areas that they would want us to assess. In addition to the points covered by our SRC, they raised concerns around external funding and the risks that this can pose around undue influence, money laundering and protecting the interests of the consumer. We will draw on the recent research on investment in ABS to ensure that the benefits of innovation that can come from investment are not stifled<sup>4</sup>. The nature of the applications we expect to receive will mean that these types of ABS will be the exception and therefore we will reflect this within the changes to our risk framework and assessment process.

46. We are open to considering innovative business models, as we have, within our authorisation team, experience in assessing the risks posed by business models and complex structures both from a commercial view and around issues such as money laundering requirements.

47. Each licensed body will be required to explain its business and its constituent practice areas to allow CILEx Regulation to understand the aspects of the practice which will need to be assessed. CILEx Regulation will also want to understand the relationship to any non-legal services that the applicant body provides and/or to any associated businesses, so as to ensure consumers are clear on the services provided under the licence and that they have the necessary protections in place. Our focus in this regard is upon ensuring transparency for the consumer and no blanket prohibitions as to separate businesses are proposed.

48. In keeping with the requirements of Schedule 13 to the Legal Services Act applicants will be expected to identify proposed restricted interest owners. Applicants will be guided that this should include confirmation of any relevant paragraph 5 associate relationships or parent undertakings. We will seek broad information about structure and funding arrangements to the extent necessary to satisfy ourselves of the approval criteria set.

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4. Evaluation: ABS and investment in legal services 2011/12-2016/17 by the Legal Services Board

49. Our research has indicated that applicants will want to engage early with the regulator in a structured format so we understand the business model and ownership structure. They will then confirm this via their business plan and/or application form.
50. We are mindful however of the practical and legal limits upon a regulator's ability to accurately and effectively assess long term financial stability and best practice in governance. We will have regard to these areas but our focus will remain upon satisfying the approval criteria set and managing identified areas of regulatory risk.
51. Within the widened scope of our SRC we will review regularly regulatory risks relating specifically to ABS.

### *Assessing ABS applications*

52. Risk assessments will be conducted in respect of all the legal services provided by the licensed body encompassing reserved, regulated, and non-reserved activities. Whilst CILEx Regulation will not extend risk assessments to other non-legal services that the applicant body may provide, we will wish to understand the relationship of these services to the areas of law for which the body is granted a licence. We will not seek further information unless a specific risk is identified.
53. At this stage we are not proposing to authorise multi-disciplinary practice (MDP) ABSs. In due course we are likely to seek to do so for the same reasons that this application is being made. However, we are conscious of the complexities of regulating MDPs and consider that CILEx Regulation would benefit from additional time to learn from regulating ABSs before proceeding to that stage. We have sought advice from stakeholders on this approach and considered any potential risks.
54. In practice and in light of the flexibility of our existing regulatory arrangements in particular, we anticipate that applicants will be able to achieve a very similar effect for consumers in any event by ring-fencing the legal services entity as a separate subsidiary company. This would not prevent a firm from working in conjunction with a connected business provided that there was clarity for consumers on the business relationship..
55. This will enable us to focus on the risks associated with the provision of legal services and utilise the best practice that we have gained from our existing entities. That then provides clarity to those staff working within the licensed entity.
56. By not regulating MDP's at this stage, it will also mean that we can be clear to our ABS entities on our approach to meeting the changing expectations on provision of clear consumer information by our entities, for example, the availability and scope of client protection that an entity provides. This will assist consumers.
57. In order to be consistent in the assessment of risk, our existing risk framework will be used to risk assess licensed bodies. The aim of the risk framework is to ensure

that CILEx Regulation can assess whether the licensed bodies we regulate will meet the specified regulatory outcomes. It has been subject to regular external scrutiny as part of our self-assessment reviews and by a financial institution as a quality review, with all parties commenting on the thoroughness of the framework and assessments. We are confident that it provides a fair, balanced and thorough assessment of risk.

58. The framework guides staff to focus on regulatory risk, including to:

- understand the business model and the individuals involved in the applicant body;
- concentrate on the legal activities being provided by the applicant body, without extending to other non-legal services that the applicant body may provide;
- not prescribe how a firm practises law;
- focus on the risks as they occur;
- assess the strategies it employs to manage and mitigate them; and
- allow for innovation in the delivery of legal services.

59. As set out above, we consulted with our Strategic Risk Committee (SRC) on the additional considerations that should form part of the risk framework. They believe that ownership and risk of undue influence should be incorporated into the risk assessment process. We have also agreed to review and set out clearly how the regulatory objectives are achieved within our risk framework for ABS entities. These pieces of work will be completed during 2017.

60. The following graphic sets out how we maintain separation between the support and guidance that CILEx provide to applicants and the assessment of the completed application against the required standards by CILEx Regulation.



61. In terms of operational process this will be as follows:

*1. Initial enquiry stage*

Our research has shown that there is a need to demonstrate an understanding of the market for licensed bodies and the particular needs of each applicant.

CILEx is developing its capability to deal with initial enquiries from those individuals interested in operating their own firm and establishing whether they meet the criteria to become an ABS or non-ABS. CILEx Regulation will be sharing with CILEx the research it has carried out into the information applicants require and how they would wish to be supported during the application process.

CILEx Regulation will engage informally at the outset with any applicant, especially where the ownership structure or business model may require a detailed understanding. We will develop the systems for applicants to clearly set out these structures and business models based upon the survey feedback.

We are confident that we have the skills within our existing team to assist applicants gain a clear knowledge of the requirements prior to formal submission of an application. Additional specialist training is being arranged

to ensure that more complex structural arrangements and the provisions of Schedule 13 of the Legal Services Act in particular can be assessed effectively and efficiently.

## *2. Receipt of application*

Upon receipt of an application we will undertake a preliminary review. Where information is incomplete and we believe that a decision can be made within a reasonable timescale then we will work with the applicant firm to address any deficiencies.

## *3. Assessment of designated officers and owners*

The initial review is to assess the fitness and suitability of owners, managers and HoLPs and HoFAs. This is key as they will be running and operating the entity. We will not consider the application as a whole until all matters relating to 'fit and proper' and 'fitness to own' have been investigated. This includes understanding the structure of the business and identifying restricted interest holders ('owners') for the purposes of Schedule 13 to the Legal Services Act.

We will ensure we address the issues identified by the SRC around ownership and undue influence.

While licensing authorities are required to approve all non-authorised material interest holders we recognise that licensing authorities can rightly vary the level of scrutiny applied dependent upon the nature of the interest held in order to ensure proportionality of process.

## *4. Assessment of entity risk*

We will consider the application against the Code of Conduct and how the applicant meets the nine principles and the stated outcomes. We will ensure that any risks associated with ABS that are raised by the SRC are addressed at this stage.

In assessing whether an applicant is suitable to be licensed, we will apply the approval criteria and consider in particular:

- the business model and the very basic viability of the proposed firm, including sources of additional capital;
- how the firm proposes to meet regulatory requirements, including its proposed approach to managing risk;
- the governance of the firm including who will run it, how it is connected to any other business and that it can operate free of undue influence; and
- how the applicant and designated officers have presented the application and whether they have engaged frankly throughout the process.

### *5. Decision on licensing*

Our intention is to process applications within one month of receiving all required information and this is in line with our current processing times. CILEx Regulation will observe the statutory standard limit of six months to decide on an application, although may seek a further three months for non-standard cases.

For those applications where it is not possible fully to assess risk on a desk-based basis, we may seek a risk review visit as part of the application process or arrange interviews with key individuals. Specific details of a visit or interview would be agreed with each applicant body on a case-by-case basis.

### *Fees*

62. CILEx Regulation will follow the same principles as for entity regulation in setting the charging structure for a licensing application.

63. It will reduce regulatory costs to licensed bodies who decide not to hold client money and thereby reduce risk. CILEx Regulation's costs will continue to be set in a manner that aims to not restrict entry to the market for small licensed bodies.

64. CILEx Regulation will collect compensation contributions from licensed bodies in the same manner as for non-ABS. Compensation contributions for licensed bodies will be set at a level to cover the costs of insuring against claims, administering the compensation arrangements and handling compensation claims. CILEx Regulation intends that its compensation arrangements should be self-sufficient in future but recognises that the time taken to achieve this will depend upon demand for regulation and claims on the Fund.

65. Details are provided in Annex XXX

### *Licence*

66. A licence takes effect from the date that CILEx Regulation grants it. The licence remains in effect until it is either suspended or revoked, the licensed body ceases trading, is wound up or otherwise ceases to exist, or the licensed body is licensed by another approved regulator.

67. The Licensing Rules allow us to consider circumstances where it would not serve the public interest or the licensed body to revoke a licence but we will require prior notification of any changes.

68. A licence granted by CILEx Regulation allows a body to undertake the regulated legal activity or activities specified in that licence and the licensed body must not act outside of the scope of any licence granted. Any person who is not licensed or otherwise authorised to undertake an activity must not act on behalf of the licensed body.

69. A licence is granted subject to the terms stated in the Licensing Rules at Annex XXX.

#### *Post authorisation*

70. Once a licence has been granted, then the licensed body will be subject to our existing monitoring and supervision arrangements, including an annual return and accountants report where client money is held.

71. We believe that early engagement will be especially important for an ABS, where its owners, designated officers, managers and employees may not have operated under similar regulatory rules before. This will help to both inform our risk assessment processes for ABS and protect the public by ensuring they are fully aware of their risk management obligations.

72. Our research covered how we can ensure that employees in an ABS understand how regulation applies to them and those areas that they see as key. They indicated demand for enhanced guidance and accredited courses with particular sections of our website that provide material for all staff on their obligations. These should particularly be around practice and accounts management, scope of professional indemnity insurance and legislation including anti-money laundering requirements, data protection and cyber-crime prevention. We will look to develop this as part of the implementation work

#### *Budget and business plan*

73. In addition to the information provided within this application, we have attached a fully costed business case setting out the rationale for becoming a licensing authority, together with the CILEx Regulation audited accounts for 2016 and our draft budget for 2018. Details can be found in annex XX.

### **Part 3: Licensing rules and regulatory arrangements**

#### *In summary*

74. As summarised above, CILEx Regulation proposes to operate licensing rules which primarily reflect statutory requirements and apply existing regulatory arrangements to ABSs. We have designed and consulted upon CILEx Regulation Licensing Rules which will govern ABS authorisation. These rules address the majority of what the Legal Services Act requires to be set out in regulatory rules. However, we are also proposing to make changes to our conduct, accounts, indemnification, compensation and disciplinary rules in order to bring ABSs and ABS managers, employees and (where appropriate) owners within the scope of existing arrangements. We consider that our approach is consistent in offering a proportionate and flexible framework for authorising new businesses while

maintaining robust consumer protection and adherence to the legislative framework.

### *The CILEx Regulation Licensing Rules*

75. The proposed CILEx Regulation Licensing Rules set out the approach to authorising entities including:
- approval criteria for entities;
  - conditions that apply to all ABSs and the discretion to apply additional conditions on an ABS licence where justified by identified risks;
  - criteria for approval of designated officers, namely managers, owners holding a restricted interest, Head of Legal Practice (HoLP) and the Head of Finance and Administration (HoFA) and managers;
  - procedure for suspension or revocation of a licence in appropriate circumstances; and
  - rights of review and appeal against decisions made.
76. For the avoidance of doubt the CILEx Regulation Licensing Rules contain the provisions required under Part 5 and Schedule 11 of the Legal Services Act. These rules are attached at Annex 1. The additional annexes include those rules that will require changes to enable them to extend to licensed bodies.  
*Amendments to the Rules have been consulted on.* While some changes have been made since the initial consultation there have not been substantive changes in policy or approach over that time.
77. Below we have summarised the regulatory requirements which will be applicable to ABSs and set out how these are consistent with LSB rules and guidance on licensing applications.
- 'Fit and proper' assessments*
78. We will extend our current arrangements to licensed bodies where any owner, HoLP, HoFA or manager will be required to declare prior conduct. This means they are required to provide information on past conduct that may affect their suitability to own and manage an entity.
79. Prior conduct covers past criminal convictions, financial orders and matters relating to whether a person is fit to own or manage an entity, and has been updated to incorporate wider declarations which CILEx Regulation believes are necessary for all those it regulates. Those applying for authorisation or approval under the fit and proper criteria will be required to complete a Disclosure Barring Service (DBS) check.
80. The procedure for dealing with whether someone is fit and proper will be the same as that for dealing with fitness to own declarations but based on new criteria.

- 81.Under the CILEx Regulation Licensing Rules the Professional Conduct Panel (PCP) will have power to consider whether an owner, designated officer or manager is a fit and proper person. This will be deemed a decision on fitness to own. The Panel will be provided with guidance in considering fit and proper declarations.
- 82.The fit and proper assessment is a key safeguard for protecting the public interest and consumers, in keeping with the regulatory objectives. The test is set out in the CILEx Regulation Licensing Rules and in the case of restricted interest holders is supplemented by the approval criteria at paragraph 6 of Schedule 13 to the Legal Services Act. We have not sought to duplicate the Schedule 13 requirements as to approval of owners but have cross-referenced these provisions in the rules to make the position clear.
- 83.The owners, HoLPs, HoFAs and managers of a licensed body will have an on-going duty to make declarations to CILEx Regulation to enable us to protect the public and consumers by assessing that they remain fit to be in these roles. In addition, ABSs and owners have ongoing duties under Schedule 13 of the Legal Services Act to notify the regulator of certain changes in ownership.
- 84.We are proposing to exercise our discretion to deem all partners in a partnership restricted interest holders (see our definition of 'owner' in the CILEx Regulation Licensing Rules). Based upon current trends in respect of existing licensing authorities we would firstly typically expect an ABS to choose an incorporated model. In a partnership and particularly partnerships 'at will', there is a risk of significant authority and influence within the business being held by any partner. This control could operate distinct to the main tests for assessing materiality of ownership and influence in Schedule 13 which primarily relate to shares / capital held / profits and voting rights. Assessing ownership interests under paragraph 3 of Schedule 13 to the Act is also complex and could easily place a disproportionate burden on applicants bearing in mind the legal duty on applicants to identify all restricted interest holders. We consider that, in line with the discretion set out in the legislation, deeming all partners restricted interest holders is a more proportionate and reliable approach.

*Head of Legal Practice and Head of Finance and Administration*

- 85.As required by the Legal Services Act the rules place an obligation on all ABSs to have a Head of Legal Practice (HoLP) and Head of Finance and Administration (HoFA). We consider this a helpful provision in promoting and facilitating compliance within the firm as well as for reporting problems to the regulator.
- 86.In determining whether to approve a person for any of these roles, CILEx Regulation will consider:
- eligibility under the CILEx Regulation Licensing Rules;
  - whether they have met the fit and proper criteria;
  - their level of seniority within the business; and

- their competence under CILEx standards for practice management (HoLP) or finance and administration (HoFA);
87. The HoLP must be an authorised person in relation to one or more of the licensed activities and approved by CILEx Regulation as well as a manager or employee of the licensed body.
88. The HoFA of a licensed body must be a manager or employee of the licensed body and approved by CILEx Regulation. We have not sought to impose an obligation on HoFA's to hold some form of financial or accounting qualification as it is considered that this would be disproportionate and too onerous for most small businesses to comply with.
89. We would expect HoLPs and HoFAs to demonstrate that they are ready and able to undertake the role however. Prior experience in a similar role would not be a strict requirement. In the absence of this though we would ordinarily expect applicants for such posts to be prepared to undertake some form of training or other professional development in this area to prepare for the role. Our guidance notes to the application will make this clear for applicants.
90. HoLPs and HoFAs would not need to necessarily hold a very senior position in the firm (though we would typically expect this to be the case). However, where this is not the case we would need to be satisfied that the individual has access to all relevant information about the business and that there are sound governance arrangements in order to enable the unfettered and effective fulfilment of the relevant duties at all times.

### *Regulation of conduct*

91. The Code of Conduct sets out nine principles, with supporting outcomes which the regulated community are expected to meet when delivering legal services.
92. The Code of Conduct is applicable to all members of CILEx, regardless of the grade in which they are registered, CILEx Practitioners and CILEx authorised entities. It is intended to apply equally to all, regardless of the type of work they undertake or the model through which they practice, i.e. employed, self-employed or an owner or manager of an entity. Other regulatory provisions will also apply to those who are subject to the Code, dependent upon type of work. For the purposes of ABS, the conduct provisions are also to be applied directly to all managers and employees of the ABS in accordance with section 83(5)(c) of the Legal Services Act.
93. The Code's nine principles incorporate behaviours required of someone who may own a CILEx authorised entity and for those who have gained practice rights. The principles are supported by outcomes and provide the regulated community with information on how to adhere to each principle.
94. For those subject to the Code of Conduct it applies both in the professional work they undertake and where relevant to their personal conduct.

95. The Code of Conduct will be extended to include licensed bodies and those who work in them. A draft is attached as Annex XXX

#### *Indemnity arrangements*

96. CILEx Regulation prescribes that an entity authorised by it must have in place Professional Indemnity Insurance (PII). We will extend our PII scheme to include licensed bodies.

97. This will ensure that consumers using a licensed body will receive the same level of protection as they would if they were using an existing CILEx authorised entity. All bodies licensed by CILEx Regulation will therefore be required to demonstrate that they have in place suitable PII arrangements, which meet the minimum conditions set by CILEx Regulation in the CILEx Regulation PII Rules and Minimum Wording.

98. Activity that falls outside regulated or reserved activity will not be subject to professional indemnity insurance provisions. Where services conducted by the licensed body fall outside of the scope of the insurance, the licensed body will be required to make this clear to clients.

99. Changes intended to be made to extend the CILEx Regulation PII Rules and Minimum Wording are set out in Annexes XX and XX.

#### *Compensation arrangements*

100. CILEx has in place a Compensation Fund to recompense clients of a CILEx Authorised Entity who have incurred a loss due to the dishonesty, misappropriation or failure to account of that Authorised Entity, its owners or employees. Civil liability claims, such as for professional negligence, are generally covered by the insurance that an entity must have in place.

101. CILEx Regulation will extend the application of the Compensation Arrangements Rules to licensed bodies as we consider that there should be the same level of protection for client money and other assets held by a licensed body as for regulated non-ABS.

102. The revised CILEx Regulation Compensation Arrangements Rules are attached as Annex XX

#### *Complaint handling*

103. CILEx Regulation has clear guidance in place for its regulated entities for complaint handling. There have been no complaints against CILEx Authorised Entities to LeO so far.

104. CILEx Regulation will require applicants seeking to become a licensed body to demonstrate as part of the licensing application process compliance with the

Code of Conduct and Guidance on Complaints Handling. We will also require licensed bodies to demonstrate this in annual returns and during visits. They will be required to comply with the requirement to provide information to consumers about the availability of Alternative Dispute Resolution (ADR).

105. CILEx Regulation continues to monitor the complaints handling procedures of self-employed CILEx members delivering unreserved work to ensure that minimum standards of complaints handling are met and that self-employed CILEx members have complaints handling procedures in place which signpost to the Legal Ombudsman where appropriate.

106. CILEx Regulation will continue to survey CILEx members and consumers with the aim of gathering information about trends in conduct and service matters. This will be extended to include licensed bodies. The data gathered is used to inform members and entities about potential risks and how they may improve the service they offer to consumers. It also feeds into our risk assessment processes.

107. The requirements on complaints handling and ADR requirements will be extended to apply to licensed bodies. A copy of the guidance is attached as Annex XXX.

### *Resolution of regulatory conflicts*

108. The issue of regulatory conflict in relation to licensed bodies is covered by the Framework Memorandum of Understanding signed by the approved regulators, licensing authorities and other regulators or professional bodies involved in licensed bodies. This was accepted by the LSB as contributing to the requirements of s.54 of the Act.

109. CILEx Regulation co-operates with other regulators of legal entities so that regulation is conducted effectively and efficiently in the public interest.

### *Internal appeals and appellate body*

110. The IDAR (to be known as the Enforcement Rules) has been broadened by the Licensing Rules to allow CILEx Regulation to consider additional processes required under Part 5 of and Schedule 11 to the Act. We have no evidence of the application of these rules to our authorised entities or managers so far but our enforcement processes are recognised as providing a high standard of protection for the public and the legal profession.

111. These are:

- a review of decisions to disqualify any person working at a licensed body; which includes the owners, designated officers, managers and employees;
- a review of any disqualification decision; and
- a review of decisions in regard to the granting of, revocation of or other change to a licence.

112. These will allow the Disciplinary Tribunal to consider and review the decisions made by CILEx Regulation. As with current decisions of the Disciplinary Tribunal there will be an appeal available under part IV of the IDAR to the Appeals Panel.

113. Where an owner of a licensed body considers that an unfavourable decision has been made by the Appeals Panel, the Licensing Rules will incorporate a right to appeal to an appellate body.

114. CILEx Regulation has opted to apply to the HM Courts and Tribunal Service (HMCTS) for these appeals to be made to the General Regulatory Chamber of the First Tier Tribunal. We consider this to be the obvious choice and are satisfied that this Chamber can provide an appropriate level of specialist and independent scrutiny to decisions made.

115. A Justice Impact Test has been submitted and approved, and we have agreed the cost structure for any appeals that may be heard. An order formally making the appointed under section 80 of the Legal Services Act would be required in due course. We recognise the timescale for implementation may be affected by external factors and would seek permission to put in place interim arrangements as necessary pending formal approval.

### *Accounts Rules*

116. CILEx has in place Accounts Rules which prescribe arrangements for managing client and office money. The Accounts Rules apply to all those practising in an authorised entity. These are needed because of the significant risks which arise if necessary controls are not in place. These rules are seen as proportionate and clear to follow by our authorised entities and the evidence from our visits and reviews is that they are providing the necessary protection to consumers.

117. CILEx Regulation has considered how to extend the application of the Accounts Rules to licensed bodies and has made contextual changes to provide greater clarity on the application of the Rules. It will also require the individual acting as the Head of Finance and Administration in the licensed body to have the necessary knowledge of the Accounts Rules, and skills and experience in managing financial elements. We consider that there should be the same level of protection for client money and other assets held by a licensed body as for other CILEx authorised entities.

118. CILEx Regulation has clarified within the rules that they only apply to the provision of any regulated legal activity or other legal services by licensed bodies. The Accounts Rules will not apply to other complementary non-legal services provided by licensed bodies. We will be encouraging the adoption of best practice for new licensed bodies and considering how they use external support to both minimise risk and strengthen their entity.

119. A tracked copy of the proposed rules can be found at Annex XXXX.

## *Authorisation Rules*

120. The CILEx Regulation Authorisation Rules, which apply only to regulated non-ABS, set out how an applicant entity may be authorised as a CILEx Authorised entity. These rules have been in place since 5 January 2015 when CILEx began to authorise and regulate entities to conduct reserved and regulated legal activities. They have provided both the necessary mechanisms for us to authorise entities and to set out clearly the procedures we will follow to those applicants whose applications would not meet the standards that we require.
121. However, with the application to become a licensing authority, CILEx Regulation will clarify to applicants that the Authorisation Rules will only apply to non-ABS entities and that the CILEx Regulation Licensing Rules will cover applicants wishing to become an ABS.
122. The definition of authorised entity in the Rules does not currently include licensed bodies but it will be used more widely to cover both licensed bodies and regulated non-ABS in the Code of Conduct, in other CILEx Regulation Rules and in other related communications including websites and handbooks.
123. This will make it easier for consumers to understand rather than creating an additional title and will be in line with the approach adopted by other regulators.
124. We will also make minor contextual changes to wording. A tracked change copy of the rules can be found at Annex XXXX.

## **Part 4: Promoting the regulatory objectives**

125. The Act sets out eight objectives which licensing authorities must promote. CILEx Regulation promotes these objectives in its work and will extend this to licensing once it becomes a licensing authority.
- Protecting and promoting the public interest and the interests of consumers**
126. The protection and promotion of the interests of consumers and the public is at the heart of our regulatory arrangements. This is enshrined in our Code of Conduct and risk based approach to authorisation and supervision of entities.
127. Our current regulatory arrangements will be applied to licensed bodies to protect and promote the public interest. They include the Code of Conduct, Accounts Rules, Authorisation Rules, Professional Indemnity Insurance Rules, Compensation Rules and the Investigation, Disciplinary and Appeal Rules.
128. The new Licensing Rules will ensure continuation of licensing by specialism based on the competence of individuals in the body. This assures the public and consumers that the licensed body has suitably competent advisors in delivering legal services and allows them to identify the appropriate legal service for their

need. This will include the responsibilities of the owners, designated officers, managers and employees.

129. A Directory of licensed bodies will identify clearly to consumers the reserved or regulated legal activities the body has been assessed as able to deliver, as well as the roles for which individuals have been approved.
130. Our existing complaints handling and disciplinary processes will apply to licensed bodies, their owners, designated officers, managers and employees, protecting consumers by handling complaints about conduct with recourse to proportionate and adequate penalties.
131. We will continue to seek feedback from consumers through the consumer section of our website and through our wider consumer engagement activities. The education of our regulated community will include licensed bodies with a view to improving services to consumers and thereby protecting and promoting their interests.
132. The risk based approach to licensing and supervision of licensed bodies will enable regular assessments to be made of the risks that licensed bodies may pose to the delivery of the regulatory objectives, particularly protection and promotion of the interests of consumers and the public. This same approach is used for regulated non-ABS.

### **Supporting the rule of law**

133. The regulation of licensed bodies, their owners, designated officers, managers and employees will maintain public confidence in the mechanisms which protect the rule of law and protect the belief that balanced rights and responsibilities provide just outcomes for citizens. CILEx Regulation has experience of achieving this objective through its scheme of regulation of authorised non-ABS.
134. CILEx Regulation will continue to regulate in a manner consistent with the rule of law, and ensure that its regulation is accessible and consistent.

### **Improving access to justice**

135. We will look to expand the sector by bringing new specialist licensed bodies into the market to provide legal services, improving access to the profession, increasing choice of routes to regulation and the allowing for innovative approaches to the delivery of legal services.
136. Increasing opportunities for our diverse membership will help reduce barriers this part of the profession may face and which limit their current ability to set up a licensed body.
137. The social and economic background of CILEx lawyers setting up licensed bodies will serve to widen opportunities for consumers to seek assistance from organisations made up of individuals from similar backgrounds. This will help

make legal services available that reflect the needs of the local community and improve access for consumers.

138. In terms of receipt of applications the CILEx Licensing Rules specifically require decision makers to have regard to the objective improving access to justice.

#### **Promoting competition in the provision of services provided by authorised persons**

139. By extending licensing to the diverse CILEx membership under our outcomes focused, risk based model of regulation, we will increase the ability of individuals to set up licensed bodies and to develop innovative methods for delivering legal services. This will improve competition in the market for the benefit of consumers.

140. Consumers will be able to seek services from licensed bodies with the assurance that CILEx Regulation has undertaken an assessment of risks that the entity may pose and regulate accordingly.

#### **Encouraging an independent, strong, diverse and effective legal profession**

141. Extending our regulation to include licensed bodies will allow new legal service provider organisations to be set up, allow external investment and non-lawyer management, and will help to encourage a diverse range of legal service providers.

142. Our authorisation process supports our diverse regulated community by avoiding artificial barriers or discriminatory hurdles.

#### **Increasing public understanding of the citizen's legal rights and duties**

143. CILEx Regulation will continue to engage with the regulated community, including licensed bodies, to gain a better understanding of consumer expectations, to inform consumers of their legal rights and responsibilities and to empower them with confidence about where how to access advice and representation.

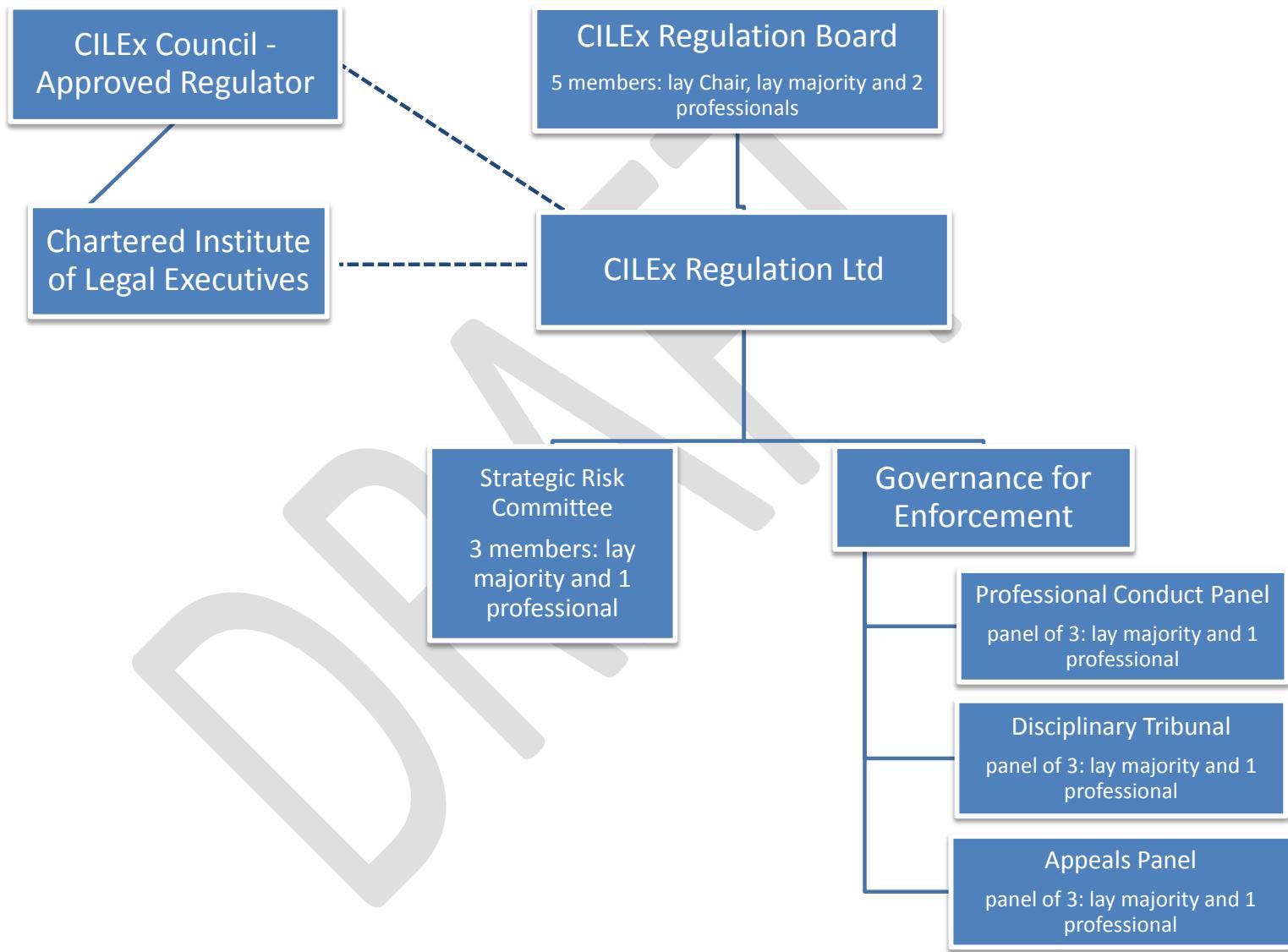
#### **Promoting and maintaining adherence to the professional principles**

144. The professional principles govern the behaviour of authorised persons. They firmly place a responsibility on authorised persons to act in a manner consistent with the status of belonging to a profession and are set out in the Code of Conduct. In the case of licensed bodies the application of the Code is extended, as it is with regulated non-ABS, to all who deliver legal services in the organisation.

## **Part 5: Governance, Resources and Stakeholder engagement**

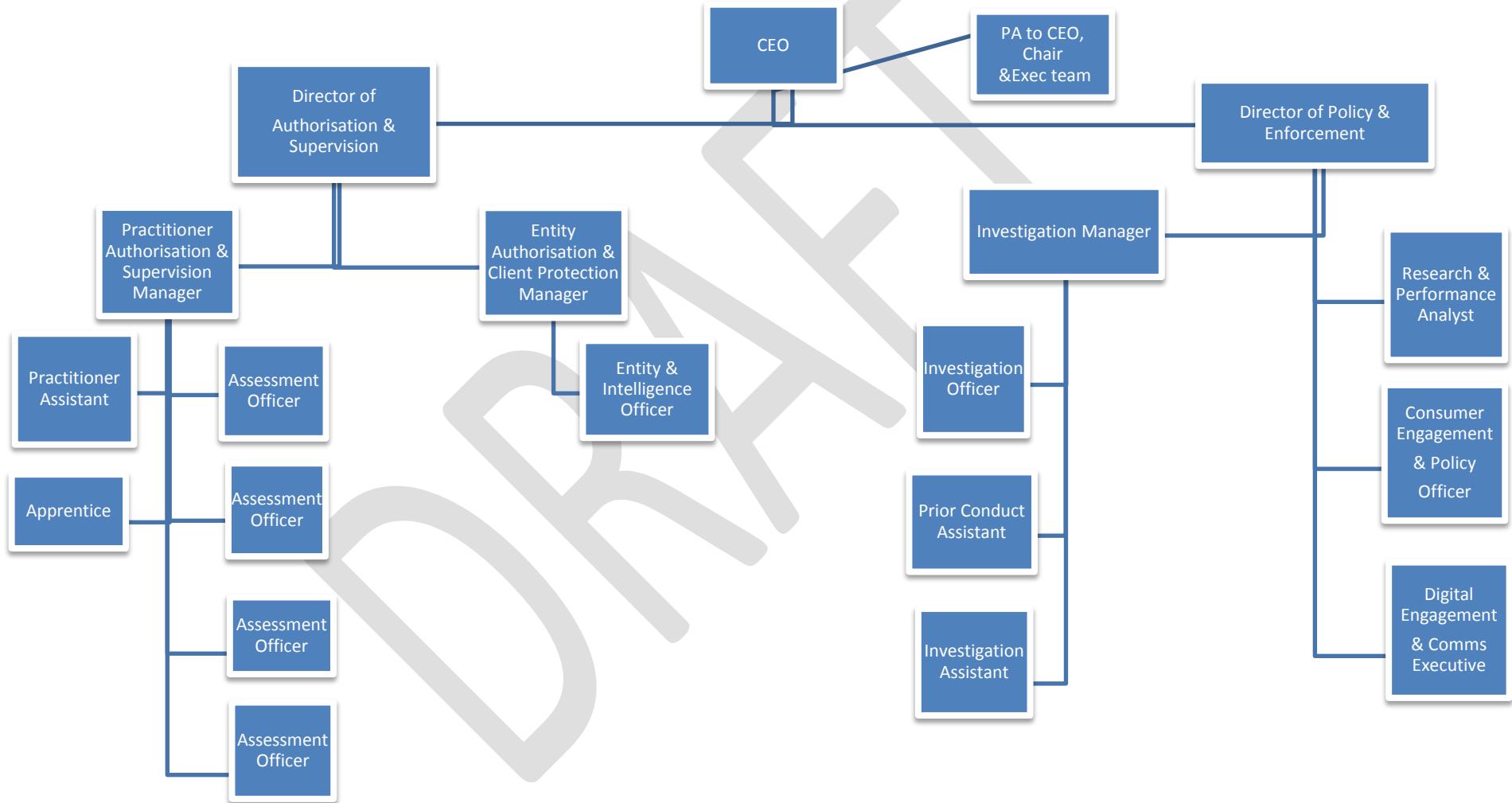
### **Governance**

145. We have set out in Part 1 the governance arrangements that we have in place to ensure separation between the regulatory and representative bodies. The following chart shows the current governance structure that we have in place to provide oversight.



146. We are aware of proposed changes to the governance structure at CILEx but this will not impinge on regulatory independence.
147. The organisational chart on the following page sets out our current staffing structure for CILEx Regulation and how this allows for strong communication between the various sections involved in delivering licensing to our regulated community.
148. The CILEx Regulation Board has overall responsibility for [our strategy](#), performance and management. There are currently five seats on the Board, with a lay majority. The three lay members include the lay Chair. The other 2 professional members are Chartered Legal Executives.
149. The Board meets several times a year to oversee and direct the work of CILEx Regulation. One professional and one lay member have joint lead responsibility for oversight of Practitioner and Entity Authorisation and Supervision and for Education and Standards. The other professional and lay member has joint lead responsibility for oversight of Enforcement, Consumer and Stakeholder Engagement, promotion of Equality and Diversity, and Governance.
150. We have a number of independent committees to support the assessment and enforcement processes made up of a mixture of professional and lay members.
151. The ABS application process will be informed by the Strategic Risk Committee which provides oversight on the development and application of the risk framework as well as providing an internal review of decisions to refuse or revoke a licence.
152. We are confident that the current arrangements we have in place are sufficiently robust to deal with any risks associated with becoming a licensing authority.

## CILEX REGULATION OFFICE STRUCTURE 2017



## **Resources**

153. The processes for ABS applications will largely mirror the existing entity application process and therefore there will be no additional staffing resource required for the implementation and maintenance of ABS over and above the existing commitments to entity delivery.
154. The current entity team, under the Director of Authorisation and Supervision, has gained broad experience in the entity authorisation and supervision process over the past three years and has capacity to deal with the projected modest demand we are budgeting for, alongside the traditional entities. However, with an ever changing market and other regulators consulting on regulatory switching, we have considered how to manage increased demand that fits our regulatory model.
155. Previous research for the original applications for entity regulation had indicated that an additional relationship officer was required each time applications exceeded a total of 50. This was a guide calculated on the time required for assessing an application and then the ongoing monitoring and supervision that the entity required. It would be dependent on workload involved with the entity, their size and their risk profile. This is reviewed with the relationship officer as part of the appraisal process.
156. Allowing for these factors, we have reviewed this figure in line with our current experience of entity authorisation. We have also considered staffing provision where demand is higher than anticipated and we are confident that resources will be sufficient and where necessary can be supplemented using secondment, part-time workers and fixed term contracts to manage any short term demand.
157. We recognise the importance of understanding the non-legal professional business owners of ABS and that will be a key area of focus for future training within CILEx Regulation. The Entity and Client Protection Manager, who manages the Anti Money Laundering supervision, has a significant background as a Commercial Manager for a leading High Street bank and therefore has extensive experience in assessing business ownership.
158. Our existing premises are adequate and we have engaged with third parties on potential changes to our IT systems to allow for ABS applications and the secure maintenance of new data. These will include additional tools for managing an application, supervision of an entity and the two-way sharing of risk information.

## **Stakeholder engagement**

### **Engagement 2016**

159. CILEx Regulation issued a consultation on 8 December 2015 to seek views on proceeding with an application to become a licensing authority. This was promoted to all CILEx members through both the CILEx member's newsletter and the CILEx Regulation News. In addition it was promoted through other news sources such as the Solicitors Journal. The primary consultation question was whether there was agreement to CILEx Regulation making an application for CILEx becoming a Licensing Authority. Whilst there were limited comments on this consultation, there were no objections raised.

160. CILEx Regulation then consulted over a 10 week period on the draft licensing rules and associated changes to its related rules from 7 January 2016 to 18 March 2016. This was promoted to all CILEx members through the CILEx member's newsletter and the CILEx Regulation News. We received no comments in relation to the proposed licensing rules.

161. The work on ABS was then put on hold until late 2016 when the decision was made to continue with the application for designation.

### **Engagement 2017**

162. We spoke with the Legal Services Board in early January to discuss how we proceed with our stakeholder engagement and the key areas we should focus on. They advised that they believed that the original consultation had dealt with whether there were any objections to us proceeding with a Licensing application. As there had been limited comments and none against, then we could proceed to the next stage of consultation.

163. This part of our consultation work was to inform how we would deal with the practical differences with an ABS application and the processes that we would use to gain the additional information that we would require to address the additional risks that ABS might pose. The 2015 research had gathered details of CILEx members who might consider an ABS as a business model and these were considered important for us to engage with as part of this work.

164. We contacted 194 members who previously indicated interest in considering the ABS route over a 6 week period closing on 9 June 2017. We asked how we may:

- best deliver an ABS application process;
- understand the ownership structure of a proposed ABS;
- be clear at the outset on who needs to be approved;
- communicate rules and risks to owners, managers and employees

165. We received 44 responses to our survey, which will be used to inform and develop further both our ABS risk assessment and our ABS application processes. The key points are summarised below:

- a structured format for applicants to supply key ownership information, enabling us to understand risk at an early stage;
- applicants wanting to understand the key roles in an ABS and the qualifications required for those roles;
- the professional indemnity insurance requirements for ABS;
- dedicated support during initial enquires and then the application process from CILEx and CILEx Regulation; and
- support managing risk for ABS staff with understanding regulation and how it applies to them.

166. The responses also captured information that can assist CILEx on developing future training requirements, particularly around practice management and accounts management. This will help prepare those CILEx members seeking to run their own law firm.

167. Full details of the survey and responses are included at Annex XXX

168. CILEx had commissioned a variety of pieces of work in January 2017 including research into existing SRA regulated ABS firms. This was shared with CILEx Regulation as part of ongoing work into our regulated community and the process of becoming a regulated entity.

169. The key areas that were identified that would have significance for us were:

- that firms opted for their own regulator due to familiarity, habit and a perception of risk;
- the application process needed to be proportionate for a firms size;
- small firms need as much personal support and guidance; and
- applicants are open to other regulators if they deliver better perceived value.

170. This information will be used to help shape further our current entity authorisation process, the ABS application process and the type of support that is provided by both CILEx and CILEx Regulation, maintaining appropriate separation of responsibilities.

171. The details of the consultation responses are covered in Annex XX. Where responders details are included in the body of the research, then this may be redacted or, if this is not possible, then the document removed.

## **Timetable for operational implementation**

**Implementation:**

172. Both during the period between submission and decision and once the application has been approved by the LSB, CILEx and CILEx Regulation will need to undertake the following activities:

What	Who	When
Submission of application to LSB	CRL	August 2017
Decision	LSB	Up to 12 months from submission, but working towards February 2018
Gain access to First Tier Tribunal provision for appeals	CRL	March - August 2018
Develop communications strategy for ABS	CRL/ CILEx	September 2017 and on-going
Identify IT requirements	CRL	September 2017
Review costs of application for regulation	CRL	October 2017
Training for CILEx and CRL staff	CRL	October 2017
Website updates	CILEx/CRL	October 2017 & February 2017
Implementation of IT requirements	IT/CRL	December 2017
Review of entity application process to streamline	CRL	December 2017
Develop policies, procedures, application documentation and guidance	CRL	December 2017
Continue to pursue options for PII	CRL	On-going
Continue to pursue lender panel solutions	CRL	On-going
Consider other services which would provide added value to regulation by CRL	CILEx/ CRL	On-going

## **Annexes**

- |          |   |
|----------|---|
| Annex 1  | Licensing Rules and how these are applied                             |
| Annex 2  | Accounts Rules  |
| Annex 3  | Authorisation Rules   |
| Annex 4  | Code of Conduct   |
| Annex 5  | IDAR (Enforcement Rules)  |
| Annex 6  | Professional Indemnity Insurance Rules                                |
| Annex 7  | Compensation Arrangements Rules                                       |
| Annex 8  | Complaints Handling Guidance  |
| Annex 9  | Budget  |
| Annex 10 | Business Plan   |
| Annex 11 | Summary of responses to consultation including consultation documents |