



Strategic Risk Committee Annual Report 2022

Chair's foreword | Andy Burman

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

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

I would like to take this opportunity to thank my SRC colleagues and the staff in CILEX Regulation for their tenacity, patience and positivity. I look forward to the coming year being focused on taking CILEX Regulation in the direction we always have: being seen as leaders in this sector.



Andy Burman
Strategic Risk Committee Chair CRL

Introduction

CILEx Regulation (CRL) operates an outcomes-focused, proportionate, and risk-based approach to regulation.

It is designated to authorise both individuals and entities, including ACCA members who wish to set up a CILEX-ACCA Probate Entity.

This report outlines the work undertaken by the Strategic Risk Committee in relation to risk in 2022. It also identifies areas for development of our risk-based approach to regulation.

The functions of the Strategic Risk Committee

The Strategic Risk Committee provides an oversight function for the review and application of CRL's risk framework and how this should be applied to our entity authorisation processes. It can consider and decide whether to endorse decisions made by Officers to reject or revoke authorisation for CRL's firms. It also oversees supervision of regulated individuals and practitioners.

The committee is currently made up of four members, with one place vacant, comprising both Lay and Professional members, all of whom have helped support CRL in its work during 2022. They are Andy Burman, Kim Painter, Vicky Smith and Judith Worthington. During 2022 Sarah Ryan resigned from the committee.

The committee has remained fully supportive of both the CRL staff and the regulated firms during 2022 especially with the uncertainty that the CILEX regulatory review and subsequent Legal Services Board investigation created.

The committee had expressed a desire to review its effectiveness in 2022 but recognised the additional challenges that CRL staff faced and so this was deferred until after the LSB Investigation Report had been published.

Regulatory arrangements

Once details were made public, the committee were provided with a verbal update on the CILEX proposed review of regulatory arrangements and the impact that this may have on CRL. The committee acknowledged the additional work that CRL had faced and were understanding that a number of planned activities for the committee would be deferred until CRL had greater clarity on the future.

Individual supervision

The difficulties with the launch of the practitioner risk matrix continued, with it only going live in late 2022. Consequently, the committee did not have the opportunity to see its application and what the data might show. This opportunity will now be available early in 2023.

The committee was provided with a further update on CRL's approach to the assessment of ongoing competence and individual supervision of legal professionals. This work will continue in 2023 with sight of the CRL Action Plan.

Areas for development in 2023

- To analyse the first outputs from the risk matrices and then feed these into the review of CRL's approach to supervision.
- Continue to advise on approaches to ongoing competence and look at the possible future amendments to CRL's approach to supervision.

Entity authorisation and supervision

The Committee continued to have an important role in delivering its key oversight function in relation to our regulated firms.

The committee was presented with a report setting out the identified risks following the initial applications by individuals and firms seeking to become CILEX Practitioners (ACCA-Probate) and CILEX-ACCA Probate firms. They commended CRL on the risks identified and the action taken.

The committee had a verbal update on the work related to the CILEX Regulation Compensation Arrangements and the outcome of the consultation on the use of Third Party Managed Accounts (TPMA). They were pleased that the current arrangements were continuing which would allow firms to still seek authorisation from CRL but understood that further work was required in 2023.

The committee had requested the opportunity to consider how they could be more effective when working remotely, especially in relation to the conduct of the annual review of the application process. This was carried forward to 2023.

Areas for development in 2023

- To continue to monitor the implementation of the CRM developments to determine the impact of the technological changes on the assessment of risks posed by the regulated community.
- To review the effectiveness of risk assessments completed by the office and to recommend enhancements to the process.

Anti money laundering

The Strategic Risk Committee has continued to provide a valuable oversight to the Anti Money Laundering (AML) work of CRL.

In 2022 the focus has expanded to compliance with Financial Sanctions, where the committee were updated on the action that CRL had taken with its firms.

The AML Risk Matrix was expected to be live in 2022 but this has been delayed until 2023.

Areas for development in 2023

- To review the application of the AML Risk Matrix and how this can aid the approach to supervision of AML compliance.
- To continue oversight of the work related to implementing Financial Sanctions.

Other areas of oversight

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

Areas for development in 2023

- Subject to our approval as a DPB, to provide oversight to the implementation of the policies and procedures required to enable CRL firms to deliver ancillary insurance products. The committee will also provide an assessment of potential risks posed by this new initiative and these will be reviewed and considered to determine which risks should be added to CRL's Risk frameworks.
- To review the outcomes from the pilot (conducted by the legal regulators) on the use of review and comparison sites to enable the committee to provide advice and guidance to CRL as to possible next steps for this work.

Analysis of equality and diversity data for applicant firms

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

- There remain more female approved managers (59%) than male approved managers (41%).
- The favoured business model for entities remains a Limited Company, although often these are operated by one approved manager/owner.

The intention is that this information will again be collected in 2023 to enable us to report to the Legal Services Board and to monitor the diversity of our regulated firms.

Conclusion

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