

Application made by the Solicitors Regulation Authority Board to the Legal Services Board under Part 3 of Schedule 4 of the Legal Services Act for the approval of changes to regulatory arrangements relating to Compensation Fund contributions.

A. Proposed Alterations

Compensation Fund Contributions

1. The SRA needs to set the Compensation Fund contributions for the practising year 2012/13. The methodology used to allocate the cost of the Fund throughout the regulated community remains the same as last year. 50% of the funding requirement will be met by a fixed contribution from regulated individuals, and 50% by a fixed contribution from regulated firms. Initial indications were that a contribution level of £21.9m would result in an individual contribution of £84 and a firm contribution of £1535.
2. Due to delays in collecting the 2011/12 fees, finalised numbers of regulated individuals and firms holding client money were not available at the time those figures were prepared. Subsequent analysis of applications received in relation to the 2011/12 practising year indicates that the number of individuals expected to pay a contribution is now lower than initially thought while the number of firms holding client money is higher than original figures suggested. Consequently the expected individual and firm fees have been revised and finalised to £92 and £1340 respectively. The final figures will be approved by SRA Board at their July meeting. Last year the equivalent contributions were £60 and £772 respectively.
3. While reducing in recent months, the value of open claims on the Fund, primarily due to mortgage related claims, remain at a relatively high level in comparison with previous years. With this in mind it was felt that a more cautious approach to the level of reserves should be adopted. Maintaining a robust reserve is key to ensuring the Fund is able to function effectively and provide protection for consumers. Additionally, an extra £0.5m of expected payments have been incorporated into the Compensation Fund contribution to account for the anticipated impact of changes to the Assigned Risks Pool.
4. The contributions are not Practising Fees under the Legal Services Act (LSA) 2007, and so approval is required under part 3 of Schedule 4 rather than under s 51 of the LSA 2007.

B. Details of the relevant Regulatory Arrangements

Nature and effect of the existing position

5. The SRA is required by statute to provide a Compensation Fund to compensate consumers who lose money due to the dishonesty or failure to account of solicitors (REs and RFLs) or recognised bodies. The Law Society's application and subsequent approval to become a Licensing Authority extends the same Compensation Fund provisions to Licensed bodies. This required statutory amendments under s69 LSA 2007 which were made after the necessary consultation by the Legal Services Board (LSB).
6. The statutory powers permit the SRA to require the regulated community to contribute to the Compensation Fund. The Compensation Fund Rules require both regulated individuals and regulated firms to make an annual contribution, collected mainly during the annual

renewal/data collection exercise. Payment is required by 31 October for the following practising year.

7. In the absence of any evidence to suggest that the current approach to the apportionment of Compensation Fund contributions is fundamentally flawed, and given that we are proposing a fundamental review of compensation arrangements for implementation in 2014/15, it is proposed that the arrangements for the collection of the Compensation Fund contributions remain the same as previous years. This proposal supports principles: 3 (predictable income) and 4 (stability) of the fees policy

8. Each year the SRA Board reviews the funding requirement for the following practising year and sets the individual and firm contributions at a level which ensures that the funding requirement is met. The contributions are required to fund the cost of claims, reserves and the cost of handling the claims. The SRA Financial Protection Committee reviews the claims experience, level of reserves and budget for staff to handle the claims before making a recommendation to the SRA Board. The SRA Board then makes a recommendation to the Law Society Council which is required, under the General Regulations, to approve the overall funding requirement. The SRA Board then makes the final decision on apportionment and sets out the contribution by resolution (the Compensation Fund determination).

C. Nature and effect of the proposed change

9. The Financial Protection committee, having gone through a detailed review, recommended that the funding requirement for 2012/13 should be £21.9m. The paper from that committee to the SRA Board as attached as **Annex A** sets out the relevant financial analysis to support the recommended £21.9m requirement. The SRA Board approved the recommendation, and made the same recommendation to the Law Society Council. The SRA therefore now seeks the approval by the LSB of the following determinations:

Annex B : Compensation Fund determination

This prescribes the individual and firm Compensation Fund contribution.

Annex C: Licensed Body Compensation Fund contribution determination

This prescribes the contribution payable by the Licensed Bodies.

D. Rationale for change

10. The funding requirement for the Compensation Fund will vary year on year depending on claims experience. Over the years there have been variations with sometimes significant increases, for example, during property recessions. The recently adopted reserving policy referred to in the Annex 1, and forward forecasting seeks, as much as possible, to avoid large swings. While reducing in recent months, the value of open claims on the Fund, primarily due to mortgage related claims, remain at a relatively high level in comparison with previous years. With this in mind it was felt that a more cautious approach to the level of reserves should be adopted. Additionally, an extra £0.5m of expected payments have been incorporated into the Compensation Fund contribution to account for the anticipated impact of changes to the Assigned Risks Pool (ARP).

E. Statement in respect of the Regulatory Objectives

11. The existence and effective operation of a Compensation Fund primarily protects and promotes the interests of consumers, in ensuring that they receive compensation if their money is lost while in the hands of a solicitor or firm. However it also promotes the public

interest and improves access to justice in giving the public the confidence to entrust funds to solicitors and so facilitate many legal transactions. That is why statute requires such funds to be provided by the legal profession. Given the existence of such funds it is also in consumers interests to ensure that they are adequately funded and so able to meet claims without undue delay.

F. Statement in respect of the Better Regulation Principles

12. The way in which the Compensation Fund requirement is allocated among the profession was reviewed in 2010 particularly in order to improve transparency and accountability. Following the Board's review in February 2012, the structure remains the same this year, it is only the amounts that have changed. Although the final requirement was not set by the Council until July the SRA's early communications with the profession made it clear that the contributions would go up this year, and the on-line calculator, which has been available on the SRA web site, included realistic indicators of the likely contributions. This too has been reported in the legal press.

G. Statement in relation to desired outcomes

13. The desired outcome in relation to the alteration is to achieve a properly funded Compensation Fund that is able to meet claims as they fall due without undue delay. The Fund is reviewed annually and is also subject to audit. Regular reports on claims experience are made to management and the financial status of the Fund is a key priority for the SRA Financial Services Committee.

H. Statement in relation to impact on other Approved Regulators

14. The changes in the contribution amounts should not have an impact on other approved regulators.

I. Implementation Timetable

15. The SRA Board and the Law Society Council finalised the total funding requirements on 4 and 5 July and seek LSB approval. During August final preparations for this years renewal exercise, which will be on-line for the first time this year, will be made and in September firms and individuals will be contacted and asked to make the various renewal applications on line and submit the relevant Compensation Fund contributions and other fees by 31 October 2012.

J. Stakeholder engagement

16. In view of the decision by the SRA Board to increase the Compensation Fund contributions, it was felt that this needed to be properly communicated to the regulated community, explaining the rationale behind the increase:

- The publication of the on-line calculator was communicated via the legal media with a link through to the calculator and brief reference to the compensation fund contributions was made within this. The news release was also tweeted and reference to the calculator was made within the SRA's e-newsletter that goes to everyone with a mySRA account.
- A news release was issued at the beginning of July to the legal media. The news release was tweeted and put on the SRA website.

- The SRA Public Affairs Manager was asked to build key messages into any public speaking opportunities and presentations appropriate to the subject matter.
- A placement article covering both the fees calculator and the compensation fund was produced and sent to groups such as the Sole Practitioners' Group, the Association of Women Solicitors, the Association of Black Lawyers for publication in their in-house newsletters and website.
- Reference to the fees exercise was made within the Chair's column in the Law Gazette and within the SRA column in the Modern Law Magazine, a new bimonthly publication.

17. There is no policy change therefore the information provided last year through this application, (including the plain English summary) , and the on-line calculator, has given all those who have to pay the practising fees the following information:

- the level of the fees, and through the turnover table and on-line calculator the means to work out the firm fee.
- information on how the level of the fee has been set.
- an indication of how the income will be spent including a breakdown of the amount spent on regulatory functions, non regulatory functions and shared services.

K. Further explanatory information

18. The concurrent Application from the SRA to the LSB under s51 LSA2007 contains further explanatory material, in particular the review document which was a review of the overall changes made last year, including the Compensation Fund structure, and an Equality Impact Assessment.

SRA contact for matters relating to this application

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Annex A - May SRA Board paper on the Compensation Fund requirement

Annex B - Draft Determination of Compensation Fund contributions [2012]

Annex C - Draft Determination of Compensation Fund contributions for Licensed Bodies [2012]

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Annex A - May SRA Board paper on the Compensation Fund requirement

Compensation Fund contribution setting for 2012/13

Summary

1. At its meeting on 24 April 2012 the Financial Protection Committee (FPC) was invited to make a recommendation to the SRA Board as to the level of Compensation Fund contribution to be sought from the profession for the practising year 2012/13. The Committee agreed to recommend that the Compensation Fund raises contributions for 2012/13 totalling £21.9million.
2. The paper considered by the FPC is attached as **Appendix 1**. The paper provides the factors taken into account in calculating the minimum reserve level and confirmation of the recommendation. The paper also includes financial forecasting information in support of its recommendations.
3. The proposed contribution level of £21.9million equates to a fee of approximately £84 per individual and £1,535 per firm holding client money. These figures are subject to confirmation of current numbers of regulated individuals and firms holding client money. The Board will be asked to make a determination on final fees at their meeting in July 2012.
4. The Regulatory and Equality impact of the contribution fee for 2012/13 was not included in the report to the FPC. It has now been considered in the Board Risk Assessment in **Appendix 2** with further detail given in **Appendix 3**.
5. Following the Board's decision in relation to the proposed funding levels for the 2012/13 Compensation Fund contribution, the matter will be considered by the Law Society Council at their meeting in July 2012.

Recommendation

The Board is invited to accept the Financial Protection Committee's recommendation that the Compensation Fund should raise contributions totalling £21.9 million for the year 2012/13.

Appendix 1	Financial Protection Committee paper and annexes 1-3
Appendix 2	Board Risk Assessment
Appendix 3	Regulatory and Equality Impact

Author: Helen Herniman, Director Post Enforcement

Date of report: 4 May 2012

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Appendix 1
FINANCIAL PROTECTION COMMITTEE
24 April 2012
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Compensation Fund contribution setting for 2012/13

1. Recommendations

The Committee is invited to make a recommendation as to the level of Compensation Fund contribution to be sought from those we regulate for the practising year 2012/13.

2. Introduction

This paper sets out the SRA's financial projections for forthcoming years and is for decision. It is forecast that £21.9m will be required to maintain the minimum reserve at the level determined by the Committee.

3. Background

- 3.1. The apportionment of the Compensation Fund contribution was changed from the beginning of the 2010/11 practising year and the contribution is currently split between firms holding client money and regulated individuals on a flat fee basis.
- 3.2. This year an additional £0.5m of expected payments have been incorporated into the Compensation Fund contribution to account for the expected impact of changes to the Assigned Risks Pool.
- 3.3. All claims in progress have been evaluated using the same methodology as in previous years; the expected future payout, and the timing of such a pay out, is based on historical payout rates in relation to claim size and complexity of the claim respectively.

4. Calculation of recommended contribution

4.1. Minimum reserve

The Committee has previously established the means by which the minimum reserve is to be calculated. The Committee discussed this methodology at their meeting in March 2012 and decided that it should be refined to use a weighted average of annual grants over the previous seven years rather than an arithmetic average

The minimum reserve at the end of the 2012/13 practising year is therefore :

$$\begin{aligned} & (1.5 \times \text{weighted average grants in previous 7 years}) + (3 \text{ months' recharges}) \\ & = (1.5 \times £23.7\text{m}) + (£1.2\text{m}) \\ & = \underline{\underline{£36.7\text{m}}} \end{aligned}$$

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See Appendix 2 for detailed calculation of the minimum reserves for forthcoming years.

4.2. Cash outflows

The significant outflows from the Fund are the payment of grants and the recharge to the SRA and the Law Society.

Grants paid totalled £15.4m in the 2010/11 practising year. Grants are forecast to be £38.3m in the current practising year, £25.1m in 2012/13 and £17.7m in 2013/14. The reduction in future years is an expected result of reducing the work in progress to a more usual level by the end of the current practising year.

The main factors in forecasting grants are the current work in progress and the expected number of future interventions. The expectation of the SRA is that the implementation of outcomes focussed regulation will have the effect of reducing numbers of interventions. It is not felt however that this will occur in the short term and therefore this forecast is based on 63 interventions in this and subsequent practising years¹. There were 23 interventions between November 2011 and March 2012.

The amount claimed on the claims being investigated at the end of March 2011 was £242.3m. These claims are expected to generate in the region of £51m in grants based on work investigation work carried out so far combined with historical analysis of grants paid. Due to the time taken to investigate and pay claims, these grants are forecast to be paid throughout the 2011-12, 2012-13 and 2013-14 practising years.

The SRA policy in relation to the recharge of SRA and Law Society costs was revised in 2010² with the new policy being implemented in two stages, the first in November 2010 and the second in November 2011. The effect of these changes was to significantly reduce the amount recharged to the Fund. The amount forecast to be recharged in the current and subsequent practising years is £4.6m.

4.3. Cash inflows

The main cash inflows to the Fund excluding contributions are transfers from statutory trust accounts (STAs) through rights of subrogation³ and the transfer of dormant funds⁴.

During 2009/10 the process of transferring dormant balances from the statutory trust accounts (STAs) began. As there are still a significant number of historic accounts⁵ to be investigated a high inflow of funds is forecast to continue throughout 2011/12.

¹ 2008/09 - 89 interventions, 2009/10 - 74 interventions and 2010/11 - 56 interventions

² As approved by the Committee at their meeting in April 2010 and by the SRA Board at their meeting in June 2010

³ Recovery of grants paid where funds are found to be held by the Society in STAs

⁴ Remaining funds in STAs once all reasonable efforts have been made to trace beneficiaries

⁵ Accounts related to interventions prior to 30th June 2010.

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Based on evidence of previously closed STAs and the ongoing work on live accounts, dormant funds are expected to total £6.9m in this year, reducing to £3.8m in 2012/13 as older accounts are investigated and closed.

A significant inflow of funds via rights of subrogation is expected during 2011/12; £10.4m compared with £9.8m in the previous year. This figure is then expected to fall to £7m in 2012/13 as a result of historic accounts being closed.

5. Assumptions and Risks

5.1. Assumptions

The following assumptions have been made in preparing this paper:

- 63 interventions in the 2011/12 practising year and each year thereafter
- The recharge will reduce to c.£4.6m
- Rates of recovery from existing and future statutory trust accounts will not differ significantly from previous accounts
- The introduction of Alternative Business Structures will not have a significant impact on the Fund in 2011/12 or 2012/13, either through increased contributions or increased claims.

5.2. Risks and mitigation

There is a risk that any departure from the assumptions above may result in lower than expected inflows to the Fund or higher than expected outflows, both of which would result in lower than expected reserves.

These assumptions are based on all available information at the time of writing the paper. The underlying assumptions surrounding the forecast are regularly reviewed to ensure that there have been no significant changes that will affect the Fund in the future.

Overall, the risk to the Fund of increased outflows or reduced inflows is mitigated by maintaining a robust reserve.

6. Required 2012/13 contribution

With regards to the level of the Compensation Fund contribution for 2012/13, this paper proposes that a contribution of £21.9m be raised to maintain at least the minimum level of reserve at the end of October 2013.

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6.1. Impact on those we regulate

A required contribution of £21.9m represents an increase of £8.4m on the amount expected to be collected for the 2011/12 practising year. Due to the delays in collecting the 2011/12 fees we do not currently have finalised numbers of regulated individuals or firms holding client money. The most recently available figures indicate that there are almost 131,000 regulated individuals who would be expected to pay a Compensation Fund contribution and 7,150 law practices which hold client money⁶.

A collection of £21.9m would result in an individual contribution of £84 and a firm contribution of £1,535, assuming that the current mechanism for collecting fees is retained⁷.

This compares with £60 and £772 in the current practising year.

7. Recommendation for decision

The Committee is invited to recommend to the SRA Board either that the Compensation Fund raise contributions totalling no less than £21.9m for the 2012/13 practising year.

Annexes

Annex I	Compensation Fund forecast 2011-2015
Annex II	Minimum reserve calculations
Annex III	Compensation Fund funding requirements and indicative fees

Director: Helen Herniman, Director of Post Enforcement

Author: David Adams, Financial Accountant

Date: 18 April 2012

This paper is for decision

⁶ In calculating the 2011/12 fee, the numbers used were 119,000 regulated individuals and 8,773 firms holding client money

⁷ 50% collected from individuals and 50% from firms on a flat fee basis.

Annex A – May SRA Board Paper on the Compensation
Fund Requirement

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Annex I

Compensation Fund forecast 2011-2015

	2011-12 (£'000s)	2012-13 (£'000s)	2013-14 (£'000s)	2014-15 (£'000s)
Opening balance as at 1st November	44,907	33,223	36,709	35,894
Cash Outflows				
Compensation Fund Grants	38,274	25,100	17,708	12,175
Fees, tax and other costs	122	122	122	122
SRA support costs recharged	4,642	4,642	4,642	4,642
Total cash outflow in period	43,038	29,864	22,472	16,939
Cash inflows				
Subrogated claims	10,355	7,027	4,683	6,013
Compensation Fund recoveries	339	339	339	339
Dormant funds	6,916	3,793	1,396	1,395
Bank & investment income	245	245	245	245
Total cash inflow before contributions	17,855	11,404	6,663	7,992
Net cash inflow / outflow before contributions	- 25,183	- 18,460	- 15,809	- 8,947
Balance before contributions	19,724	14,763	20,900	26,947
Compensation Fund contributions	13,500	21,948	14,995	5,632
Net cash inflow after contributions	- 11,683	3,488	- 814	- 3,315
NET BALANCE AFTER CONTRIBUTIONS	33,224	36,711	35,895	32,579
variance from target reserve after contributions	- 796	0	- 0	0
Calculated minimum reserve:	34,020	36,709	35,894	32,578

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Annex II

Minimum reserve calculation

Practising year	Contribution year			
	2012-13	2013-14	2014-15	2015/16
2005-06	£11.4 m			
2006-07	£9.8 m	£9.8 m		
2007-08	£8.8 m	£8.8 m	£8.8 m	
2008-09	£13.5 m	£13.5 m	£13.5 m	£13.5 m
2009-10	£28.3 m	£28.3 m	£28.3 m	£28.3 m
2010-11	£15.4 m	£15.4 m	£15.4 m	£15.4 m
2011-12 (forecast)	£38.3 m	£38.3 m	£38.3 m	£38.3 m
2012-13 (forecast)		£25.1 m	£25.1 m	£25.1 m
2013-14 (forecast)			£17.7 m	£17.7 m
2014-15 (forecast)				£12.2 m

Weighted average	£21.9 m	£23.7 m	£23.2 m	£20.9 m
Weighted average * 1.5	£32.9 m	£35.5 m	£34.7 m	£31.4 m
3 months recharge	£1.2 m	£1.2 m	£1.2 m	£1.2 m
Minimum reserve	£34.0 m	£36.7 m	£35.9 m	£32.6 m

These tables show the calculation of the minimum reserve in forthcoming practising years. The reserve is set at one and a half times the weighted average grants in the previous seven periods plus three months expected recharge. The minimum balance shown is as at the beginning of the relevant practising year (e.g. the minimum balance at the start of 2012/13 is £34.0m).

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Annex III

Compensation Fund funding requirements and indicative fees

Minimum funding requirement to maintain reserve above agreed level

	Actual fee 2011-12	2012-13 forecast	2013-14 forecast	2014-15 forecast
Total contribution	£13,500,000	£21,260,000	£14,335,000	£4,998,000
Indicative individual Fee	£60	£84	£57	£22
Indicative firm Fee	£772	£1535	£1050	£394
Firm / Individual split	50/50	50/50	50/50	50/50

This table provides an indication of the individual and firm fees that would be payable based on the contribution levels proposed in this paper. These fees are based on an estimate of 130,883 regulated individuals paying a Compensation Fund contribution and 7,150 regulated firms paying a contribution

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Appendix 2
Board Risk Assessment
Summary of issues for consideration:

- 1) There are insufficient funds in the Compensation Fund for the practising year 2012/13 to meet the grants paid out during that year. A prudent position has been taken in respect of calculating the overall level of contribution however, there is a risk given the volatility of mortgage fraud claims which can be of significant value. The risk can be mitigated by the time taken to receive and investigate such claims.
- 2) The level of contribution and in turn the fees required for 2012/13 has increased significantly as compared to the previous year, potentially causing concern amongst the regulated community and may also have a potential impact on smaller firms. The increase is due to the high level of mortgage fraud claims and also the reduction in the number of firms holding client money as compared to the number used last year.

Report is for:

- Noting / Information Decision Approval

Business /Operational Risk:

- 1) The prudent approach taken and the detailed review by the FPC has resulted in the higher level of contribution requirement for 2012/13 as compared to recent years and mitigates the risk of a potential shortfall in the Compensation Fund.
- 2) There is a further implication that the level of grants paid in 2012/13 is significantly below the forecast resulting in an unusually high balance at the year end. This could result in a financial benefit for the regulated community in that the fee for 2013/14 could be materially lower.

Finance:

None

Communications:

The fees will be communicated to the profession for payment.

Equality and Diversity Implications:

We are not proposing to change our approach to calculating the compensation element of the fee which was covered by a full equality impact assessment in 2010 and reviewed in 2011. We will be looking at fees as part of a much wider review and a full regulatory and equality impact assessment will be carried out as part of that review.

Author: Helen Herniman
Date of paper being drafted: 4 May 2012

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Appendix 3
Compensation Fund contribution setting for 2012/13
Regulatory and Equality Impact

When we first introduced the new system for calculating fees we opted for a flat fee approach for the compensation fund element which fitted with the guiding principles that were set for the new system in that it was simple, economic and efficient to administer and fair. However, we introduced a split between the fee due from individuals and the fee due from firms and in that first year we were able to keep the fees very low.

We published a full equality impact assessment of the new system introduced for the 2010/11 practising year, looking in detail at the overall impact of the new approach. In relation to the compensation fund element of the fee, we concluded that because we were able to keep the fee so low, any potential unfairness in relying on a flat fee approach would be balanced by the fact that the regulatory element of the fee (which represents the bulk of the annual fee) would be based on turnover.

We reviewed our new approach in 2011 and decided to continue with the same approach for 2011/12. In our updated equality impact assessment we noted that the compensation fund element was due to be increased and in the light of this concluded as follows:

The increase in the firm fee is unlikely to have any significant impact on firms with a turnover of over £100,000. The Board has considered a discount for very small firms who might see a significant rise in overall fees (all else being equal) simply because of the increase in the fixed contribution. As BME and female solicitors are over represented in small firms such a discount would reduce the adverse impact of the rise. After careful consideration the Board concluded not to provide for such a discount. Last year was an unusually low contribution. In previous years the Compensation Fund contribution has been highly volatile and there has been little evidence of small firms not being able to pay and firms this year will know in advance and be able to plan for the increase. The Board also considered that a reduction for very small firms was counter-intuitive to the risk presented by such firms. The Board considered that it would be better and fairer to review whether it would be better to apportion the firm based contribution according to turnover next year.

We are proposing to consider this matter but this review will not be completed in time for the 2012/13 practising year and therefore, we are proposing to maintain the status quo and rely on the same approach for calculating the fee for the 2012/13 practising year. The fees for individuals and for firms are set to increase, and we note that this will impact on individuals and firms, particularly those with lower turnover. However, the bulk of the fee remains to be collected through the regulatory element of the fee and the firm element of that fee will be based on turnover which will help to even out any potential unfairness in retaining the flat fee approach. Although the percentage increase for both firms and individuals is high the actual increase is £24 per individual and £763 per firm.

The forthcoming review of the Compensation Fund will be considering the fee structure and will include a full review of the regulatory and equality impact of any proposed changes.

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The Board may wish to note that part of the increase is attributable to the implementation of our new approach to the ARP and this change was part of a package of measures we are implementing over time and which were the subject of a detailed equality impact assessment which was taken into account at the time and has subsequently been [updated](#) in 2011.

Annex B - Draft Determination of Compensation Fund contributions [2012]

This determination is made by the Solicitors Regulation Authority Board under rule 2.6 of the SRA Compensation Fund Rules 2011, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

- (1) Every person who applies for a practising certificate to commence on or after 1 November 2012, or who applies for initial registration or renewal of registration as a registered European lawyer or registered foreign lawyer to commence on or after 1 November 2012, shall pay with the fee payable in respect of that application, a contribution of £92 to the Fund.
- (2) Every recognised sole practitioner that:
 - (a) applies for renewal of authorisation as a recognised sole practitioner to commence on or after 1 November 2012; and
 - (b) has held or received client money (as defined in the SRA Accounts Rules 2011) during the period 1 November 2011 to 31 October 2012 shall pay with the fee payable in respect of that application, a contribution of £1340 to the Fund.
- (3) Every recognised body that has held or received client money (as defined in the Solicitors Accounts Rules 2011) during the period 1 November 2011 to 31 October 2012, shall pay with the annual periodical fee, a contribution of £1340 to the Fund.
- (4) Every person that:
 - (a) applies for initial authorisation as a recognised sole practitioner or initial recognition as a recognised body to commence during the period 1 November 2012 to 31 October 2013; and
 - (b) intends to hold or receive client money (as defined in the SRA Accounts Rules 2011) at any time during the period 1 November 2012 to 31 October 2013shall pay with the fee payable in respect of that application, a contribution to the Fund as follows:
 - i. £1340 on applying for initial recognition to commence in the period 1 November 2012 to 31 December 2012;
 - ii. £1005 on applying for initial recognition to commence in the period 1 January 2013 to 31 March 2013;
 - iii. £670 on applying for initial recognition to commence in the period 1 April 2013 to 30 June 2013;
 - iv. £335 on applying for initial recognition to commence in the period 1 July 2013 to 31 October 2013.
- (5) The SRA may waive the contribution payable under paragraph (4) above in circumstances where the initial application is made by a body which is changing its legal status or is succeeding to the practice of another recognised body or recognised sole practitioner and the predecessor body or practitioner has already paid a contribution to the Fund.
- (6) In this determination:

Fund means the Solicitors' Compensation Fund established and maintained under rule 2.1 of the SRA Compensation Fund Rules 2011; and

All other terms are to be interpreted in accordance with the Practising Certificate Fee Determination 2012.

- (7) This determination shall come into force on 1 November 2012.

Annex C - Draft Determination of Compensation Fund contributions for Licensed Bodies [2012]

This determination is made by the Solicitors Regulation Authority Board under rule 2.7 of the SRA Compensation Fund Rules 2011, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

- (1) Every licensed body that held or received client money (as defined in the SRA Accounts Rules 2011) at any time from the date on which the body was authorised to 31 October 2012, shall pay, with the annual periodical fee, a contribution of £1340 to the Fund.
- (2) Every licensed body that intends to hold or receive client money (as defined in the SRA Accounts Rules 2011) at any time from the date on which the body is authorised to 31 October 2013, shall pay, with the initial periodical fee, a contribution to the Fund as follows:
 - i. £1340 on being authorised in the period to 31 December 2012;
 - ii. £1005 on being authorised in the period 1 January 2013 to 31 March 2013;
 - iii. £670 on being authorised in the period 1 April 2013 to 30 June 2013;
 - iv. £335 on being authorised in the period 1 July 2013 to 31 October 2013.
- (3) The SRA may waive the contribution payable under paragraph (2) above in circumstances where the initial application is made by a body which is changing its legal status or is succeeding to the practice of a recognised body or recognised sole practitioner and the predecessor body or practitioner has already paid a contribution to the Fund.
- (4) In this determination:

Fund means the Solicitors' Compensation Fund established and maintained under rule 2.1 of the SRA Compensation Fund Rules 2011; and

All other terms are to be interpreted in accordance with the Licensed Body Fee Determination 2012.

- (5) This determination shall come into force on 1 November 2012.