

Direction 153 issued under Part 3 of Schedule 4 to the Legal Services Act 2007 to the Law Society

1. This is a direction issued pursuant to paragraph 19(3) to Schedule 4 of the Legal Services Act 2007 (the “**Act**”).
2. Unless stated otherwise, words in this direction are used as they are defined in the Act.
3. In accordance with paragraph 19(3) to Schedule 4 of the Act, the Board has directed that the following alterations by the Law Society to its regulatory arrangements be treated as exempt alterations for the purposes of paragraph 19(2)(c) to Schedule 4:

Amendments to the Law Society General Regulations concerning the delegation of regulatory functions (General Regulations 15, 23 and 24) and the performance of its residual role under the 2019 Internal Governance Rules.

The creation of a new Assurance Protocol governing residual assurance arrangements between the Law Society and the SRA.

Proposed changes

4. The Law Society seeks approval of alterations to its governance arrangements in order to comply with the LSB’s 2019 Internal Governance Rules (IGR). The Law Society has specifically set out that the changes concern its delegation of regulatory functions to the SRA (to comply with IGR 2) and the performance of its residual assurance role (to comply with IGR 3).
5. In order to comply with the IGR the Law Society has, in collaboration with the SRA, made alterations to its General Regulations and has agreed a new Assurance Protocol with the SRA to govern residual assurance arrangements.
6. Key amendments to the General Regulations include:
 - a) Disestablishment of the Business & Oversight Board and its operating protocol, in light of the Society’s residual role as now defined in the IGR.
 - b) Disestablishment of the SRA Board as a Board of the Law Society Council.
 - c) Delegation of regulatory functions to the SRA as a private company limited by guarantee rather than to the SRA Board.
 - d) Amendment of the SRA’s terms of reference to align the net funding requirement approval processes with IGR requirements and to confirm that the SRA has autonomy over its staff policies and remuneration.
 - e) Removal of aspects of the SRA’s terms of reference and general functions which are no longer considered to be consistent with the IGR, including the requirement to notify the Law Society’s President of applications to the LSB to approve changes to regulatory arrangements under Part 3 of Schedule 4 to the Act, when they are submitted.
 - f) Amendments to the membership, terms of reference and functions of the Audit Committee to reflect the scope of assurance (the residual role) permissible

under the IGR and reflected in the Articles for the Solicitors Regulation Authority Limited and the Assurance Protocol.

- g) Disestablishment of the Group Remuneration Committee to remove Law Society influence over SRA staff remuneration and enhance SRA independence.
7. Full details of the amendments to the Law Society General Regulations are set out within **Annex A** to this notice, **Annex B** provides a summary of the amendments. The full assurance protocol between the Law Society and the SRA is set out within **Annex C**.
8. The application explained that there are some outstanding tax and accounting matters to be resolved before delegation of the regulatory functions of the Law Society to the Solicitors Regulation Authority Limited can take place. In the meantime, the Law Society intends for delegation to continue to be to the current SRA board. During our assessment of the application the LSB also obtained confirmation from both the Law Society and the SRA that the new General Regulations will be treated as applicable to the SRA Board until the outstanding matters in respect of the Solicitors Regulation Authority Limited have been resolved. The LSB understands the outstanding matters are expected to be resolved by August 2020.
9. The Law Society has confirmed that its powers as the Solicitors Regulation Authority Limited's sole member under the company's Articles of Association will be exercised subject to the General Regulations and the IGR.

Reason for exemption direction

10. The LSB has considered the proposed alterations against our Significance, Impact and Risk Assessment Framework ("SIR Framework") and is satisfied that, in accordance with the SIR, the proposed alterations are suitable for exemption.
11. The proposed amendments do not represent a substantial change in regulatory policy or approach. They are alterations required in order to comply with the IGR.
12. This direction is limited to the approval of amendments made by the Law Society within the application. It does not cover its wider compliance with the IGR.
13. A copy of the alteration was submitted to the Board on 15 June 2020.
14. This direction is to be deemed made on and to be effective from 9 July 2020.

For and on behalf of the Legal Services Board

9 July 2020