

Dawn Reid  
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Legal Services Board  
One Kemble Street  
London  
WC2B 4AN

30 October 2014

Dear Dawn

### **Application for approval of fees for the authorisation of BSB regulated entities**

This letter invites the LSB to approve the fees for the authorisation of BSB regulated entities. Attached at Annex 1 is the consultation paper issued by the BSB which sets out the basis for determining the fees and the process by which they will be applied to entities seeking authorisation.

Only four substantive responses to the consultation were received. The responses raised two points of particular note:

- a. The number of single person entities estimated at 200 within the consultation paper and upon which the fees calculations were determined was too low;
- b. Given the relative cost of regulating single person entities the authorisation and renewal fees for these entities was disproportionately high, when taken in the context of the fees for multi person entities.

In the light of the consultation responses, the BSB has revised its estimated numbers of single person entities to 400 in year one and 500 in years two and three. The impact of this shift in estimation has resulted in a £25 reduction in the annual fee. The authorisation fee remains unchanged because there is a more direct correlation between application numbers and resourcing needs and hence no economies of scale to be gained.

Applying the revised estimates results in the fee structure being as set out in the table below.

| <b>Entity Category</b>              | <b>Application fee (£)</b> | <b>Authorisation fee (£)</b> | <b>Total authorisation fee (£)</b> | <b>Annual fee (£)</b> |
|-------------------------------------|----------------------------|------------------------------|------------------------------------|-----------------------|
| <b>Single person entity</b>         | 260                        | 330                          | 590                                | 365                   |
| <b>2-5 person entity</b>            | 725                        | 875                          | 1600                               | 1000                  |
| <b>6-15 person entity (simple)</b>  | 1000                       | 1200                         | 2200                               | 1450                  |
| <b>6-15 person entity (complex)</b> | 1350                       | 1600                         | 2950                               | 2000                  |
| <b>15+ person entity</b>            | 1950                       | 2300                         | 4250                               | 2900                  |

Responses suggested that, because the majority of single person entities will be self-employed barristers within Chambers, they would be low risk in terms of on-going regulation. This view can be validated to some degree through the BSB's supervision approach which principally views sole practitioners as low impact and therefore in all likelihood low risk. That said, entity regulation will be a new enterprise for the BSB and the level of supervision will necessarily be greater in the early years of operation in order to control the risks that arise from new business structures.

Whilst there is therefore some merit in the views of the consultation respondents it should not equate to a considerable reduction in the cost of regulation for supervising single person entities. The disproportionality issue has, in effect, been partly resolved through the revision to the estimated number of single person entities and the consequent minor reduction in renewal fees. To lower the fees any further would have a marked impact on the fees for the other category of entities (because the number within each category is estimated to be very low).

The LSB is invited to approve the fee structure as set out in the table above. It is proposed that the fees will be subject of annual review as greater certainty over numbers and operational costs materialize.

The BSB will give consideration to combining the s51 approval processes for individuals and entities and suggests that further discussions with the LSB should take place in that regard once a settled view has been reached.

Please let me know if you require any further information in order to make a decision on this application.

I look forward to hearing from you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Oliver Hanmer', followed by a vertical line.

**Oliver Hanmer**  
**Director of Supervision**