

## **Application by CILEx Regulation to become a Licensing Authority**



**September 2017**

### *Background*

The Chartered Institute of Legal Executives (CILEx) exercise the powers of Approved Regulator under Schedule 4 of the Legal Services Act 2007 (“the Act”). CILEx has delegated its regulatory functions to CILEx Regulation which is therefore permitted, in accordance with Section 20(6) of the Act, to authorise Legal Executives to carry out reserved legal activities in respect of rights to administer Oaths; rights of audience; rights to conduct litigation; and reserved instrument and probate rights. CILEx Regulation has been registering and regulating firms since 5 January 2015.

### *Application and Scope*

CILEx Regulation, under delegated authority from CILEx, is making an application to the Legal Services Board (LSB) under Schedule 10 to the Act to become a licensing authority. This application, if granted, will allow CILEx Regulation, on behalf of CILEx, to authorise and regulate Alternative Business Structures (ABS), as set out in Part 5 of the Act.

The application sets out CILEx Regulation proposals to regulate ABS, which broadly is to apply existing standards for CILEx Authorised Entities to ABS and build upon the existing statutory framework and requirements for regulating ABSs and investors.

CILEx Regulation is an experienced activity based regulator, awarding practice rights and entity authorisation by specialism. The application says CILEx Regulation will use its experience to understand the businesses it regulates, be proportionate in its licensing authority regulation, and be open to innovation.

The application states that CILEx Regulation is not proposing to authorise multi-disciplinary practice (MDP) ABS at this stage. It is aware of the complexities of regulating MDPs and consider that CILEx Regulation would benefit from additional time to learn from regulating ABS before proceeding to that stage.

*The application documentation consists of the following:*

**The main application:**

1. Contact details and introductory statement setting out why the application is being made.
2. Background to the application
3. CILEx Regulation's approach to licensing ABS
4. Licensing rules and regulatory arrangements
5. Promoting the regulatory objectives
6. Governance, resources and stakeholder engagement

**Supporting annexes:**

- Annex 1:** CILEx Licensing rules
- Annex 1a:** Licensing rules mapping table
- Annex 2:** CILEx Accounts rules
- Annex 3:** CILEx Authorisation rules
- Annex 4:** Code of Conduct
- Annex 5:** Enforcement rules
- Annex 6:** PII Rules 2017
- Annex 7:** CILEx Regulation Compensation Arrangements rules
- Annex 8:** Complaints handling guidance
- Annex 9:** Business case
- Annex 10:** CILEx Regulation Audited accounts 2016
- Annex 11:** Group Budget
- Annex 12:** Summary of responses to consultation
- Annex 13:** Strategic risk committee rules

*Consultation*

CILEx Regulation consulted to seek views on proceeding with an application to become a licensing authority in December 2015. It then consulted on the draft Licensing Rules and associated changes to its related rules in January 2016.

In June 2017 it consulted with CILEx members who had previously indicated interest in considering the ABS route to ask how to best deliver an ABS application process and gather information about likely ownership structures.

### *Timetable*

Under the Act, the LSB has 12 months in which to make a decision on a licensing authority designation application (with the possibility of extending this to a maximum of 16 months). This application was received on 29 August 2017 and therefore the LSB will aim to make a decision by 28 August 2018 (or no later than 28 December 2018 if an extension notice is issued).

The LSB has an internal target of making a decision on whether to make a recommendation to the Lord Chancellor within 6 months of the application being deemed to be complete. The actual period for a decision will, however, be dependent on what emerges from the detailed consideration of the application.