

<b>To:</b>	Legal Services Board	
<b>Date of Meeting:</b>	29 April 2015	<b>Item:</b> Paper (15) 16

<b>Title:</b>	<b>Post-Ministerial summit work streams: update</b>	
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<b>Status:</b>	Official	

<b>Summary:</b>
<p>Following on from paper (15)12 considered by the Board at its March meeting, this paper further updates the Board on the four cross-regulator work streams, and seeks:</p> <ol style="list-style-type: none"> <li>1. Board endorsement for the cross-regulator paper summarising progress on deregulation in the legal sector to date (<b>Annex A</b>); and</li> <li>2. Board discussion of a work-in-progress version of the cross-regulator 'thought leadership' paper on alternatives to handling client money (<b>Annex B</b>).</li> </ol>

<b>Recommendation(s):</b>
<p>The Board is invited to:</p> <ul style="list-style-type: none"> <li>• <u>Note</u> progress and next steps on the post-summit work streams;</li> <li>• <u>Endorse</u> the cross-regulator paper at <b>Annex A</b> summarising progress on deregulation in the legal sector to date;</li> <li>• <u>Discuss</u> the paper at <b>Annex B</b> which is a work-in-progress version of a cross-regulator 'thought leadership' paper on alternatives to handling client money; and</li> <li>• <u>Endorse</u> our proposal that, once the client money paper is published, the LSB should take the opportunity on the back of its publication to raise the profile of this issue, to challenge the regulators to make more progress and to champion change in this area.</li> </ul>

<b>Risks and mitigations</b>	
<b>Financial:</b>	N/A
<b>Legal:</b>	The Legal Director has been kept informed of progress in the work streams
<b>Reputational:</b>	These work streams are an opportunity for the LSB to act as a champion of cross-regulator working, to build its credibility in this role with the MoJ and Ministers, and to maximise the impact of key post-election submissions to Ministers through joint working with the other legal services regulators.
<b>Resource:</b>	These work streams have required significant 'off-plan' LSB resources during 2014/15, and have been formally factored into the 2015/16 Business Plan.

<b>Consultation</b>	<b>Yes</b>	<b>No</b>	<b>Who / why?</b>
<b>Board Members:</b>	<b>X</b>		The Chairman has hosted both regulator chairs' meetings to date, and will host the next meetings (May – TBC) and 30 June.
<b>Consumer Panel:</b>		<b>X</b>	LSB Chairman has briefed the LSCP Chair.  The Panel has not been formally engaged to date, although when relevant outputs are at a more advanced stage of development, it may be appropriate to share them with the Panel.
<b>Others:</b>	Professor Stephen Mayson is acting as the independent chair of the meetings of the regulator chairs, and is leading the cross-regulator work stream on legislative options beyond the LSA.		

<b>Freedom of Information Act 2000 (Fol)</b>		
<b>Para ref</b>	<b>Fol exemption and summary</b>	<b>Expires</b>
Para 5, last sentence Footnotes 1, 2 and 3 Para 8b last sentence	Section 36(2)(b)(ii): information likely to inhibit the exchange of views for the purposes of deliberation	N/A
Annexes A and B	Section 22: information intended for future publication	N/A

## LEGAL SERVICES BOARD

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### Post-Ministerial summit work streams: update and second output

#### RECOMMENDATION

1. The Board is invited to:
  - Note progress and next steps on the post-summit work streams;
  - Endorse the paper at **Annex A** summarising progress on deregulation in the legal sector to date;
  - Discuss the paper at **Annex B** which is a work-in-progress' version of a cross-regulator 'thought leadership' paper on alternatives to handling client money; and
  - Endorse our proposal that, once the client money paper is published, the LSB should take the opportunity on the back of its publication to raise the profile of this issue, and to challenge the regulators to make more progress and to champion change in this area.

#### BACKGROUND

2. The background to the post-Ministerial summit work streams was set out in paper (15) 12 which was considered by the Board at its March meeting.
3. A planned meeting of regulator chairs on 8 April was unable to take place due to the Kingsway fire. The meeting has been rescheduled for 6 May.
4. Progress has, however, continued to be made on the work streams as set out in the table below.
5. In addition, the Law Society's plans are becoming firmer for an event for the representative bodies and the regulatory arms, with the aim of providing a collective update to the representative bodies on these work streams. We understand from TLS that the likely date for this event is 5 May and that Andrew Caplen will chair the event. TLS is liaising with us as to suitable agenda items, and it appears that TLS is likely to invite LSB, SRA and Professor Stephen Mayson to make presentations on the day. We will coordinate our contribution with SRA and Professor Mayson. [REDACTED]

## PROGRESS UPDATE

Work stream and planned output	Current status and next steps
<p><b>Deregulatory status report</b></p> <p><i>Planned output: a jointly ‘badged’ briefing document aimed primarily at Ministers post-election, but with possible wider audience as appropriate, which maps existing work by the regulators to reduce unnecessary regulatory burdens while maintaining appropriate consumer protection</i></p>	<p>All regulators bar one<sup>1</sup> have agreed this paper at executive level.</p> <p>Despite requests, no regulator has provided data to quantify or describe the impact of its reforms.</p> <p>The final version of the paper (see <b>Annex A</b>) will be presented to the Chairs’ group at its next meeting. We will ask the chairs to take the paper through their internal governance processes for endorsement as a jointly badged output, to be published and then to form part of/be referred to in the post-election joint Ministerial submission.</p>
<p><b>Identification of alternatives to avoid the handling of client money</b></p> <p><i>Planned output: a jointly ‘badged’ report published eg on the LSB website that can be used as a resource by regulators and providers seeking to understand the alternatives that may be available (NB – not envisaged at this stage to be a Ministerial submission, although may be referred to in any such submission as an example of the output of collaborative working between the regulators)</i></p>	<p>Following two working group meetings, the current version of this paper is attached at <b>Annex B</b>. We have also discussed alternatives to the handling of client money with stakeholders including rep bodies, financial institutions and corporate financial advisors.</p> <p>At the time of writing, the LSB still needs to set up a discussion with the FCA, so that the nature and scope of FCA regulation of payment institutions can be taken properly into account in the paper. Also, the paper does not yet take into account the recent publication of an SRA consultation document which included questions on escrow arrangements.</p> <p>When the document is finalised at working group level, it will be presented to the regulator chairs (at their next</p>

<sup>1</sup> [REDACTED]



- a. obtain sign-off from the regulators for the deregulatory status report at **Annex A** to be published and then to form part of/be referred to in the post-election joint Ministerial submission (alongside the list of agreed clausal changes);
  - b. finalise at executive level the paper on alternatives to handling client money at **Annex B** and obtain sign-off from the regulators for this to become a jointly badged output for publication eg on the LSB website; and
  - c. once the client money document is published, we suggest that the LSB takes the opportunity on the back of its publication to raise the profile of this issue, to challenge the regulators to make more progress and to champion change in this area.
7. The final version of the paper on future legislative options will also come to the LSB Board for discussion and endorsement, although this is unlikely to be before June.
8. As noted in paper (15)12 at the March Board meeting:
  - a. a broader Board discussion also needs to take place – informed by a prior discussion with MoJ officials - regarding the timing and handling of the LSB's interactions with Ministers following the election;
  - b. the regulator chairs have expressed interest in continued collaborative working following the election on an as-yet undetermined agenda. To that end, a meeting of regulator chairs has been scheduled for 30 June to identify candidate areas for further collaboration. [REDACTED]
9. We have also scheduled an internal 'lessons learnt' exercise in June, to discuss what went well and what we might want to do differently next time, as we continue our collaborative working with the regulators.

**21 April 2015**