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Dear John

Internal Governance Rules – LSB's Section 55 requirement

This letter and enclosure is in reply to the letters from your Chief Executive dated 30 January 2012 and 1 February 2012. Those letters detailed why the Law Society (the Society) is unable to comply fully with the Section 55 notice issued to the Society in our letter dated 19 December 2011. Those letters were provided in line with Section 56(1) of the Legal Services Act 2007 (the Act).

We have noted the Society's concern that the timing of the provision of the information had the ability to create incentives for behaviour contrary to the operation of good governance. We have therefore concluded that it is reasonable and proportionate for the LSB to amend the effect of the requirement so that this potential difficulty for the Society is avoided.

We have decided to re-issue the notice in amended form. The information required remains the same, however we have altered the timing for the provision of the required information.

The effect of the amendment is to require that all papers submitted to the Business and Oversight Board be provided to the LSB within 24 hours of the start of the Business and Oversight Board's meetings. For the avoidance of doubt this will include all documents provided to the Business and Oversight Board at, or prior to, each meeting of the Board.

We have also made a number of minor amendments to ensure that the notice extends for the same period as before. However, and as noted in our letter of 19 December 2011, if we are confident that the arrangements are being introduced and operating appropriately we may suspend the notice before the requirement lapses.

I am also sending this letter and enclosure to your Chief Executive, Desmond Hudson, and Charles Plant and Antony Townsend of the SRA.

Yours sincerely

David Edmonds
Chairman

David Edmonds

Annex A: Information Requirement: Section 55 Legal Services Act 2007

1. This Notice is served on the Law Society ("the Society") by the Legal Services Board ("LSB") under section 55 of the Legal Services Act 2007 and requires you to provide the information set out below.
2. This notice revokes the notice provided to the Society in the LSB's letter dated 19 December and referenced 'Regulatory Independence 2011: Final assessment and section 55 information requirement'.
3. The Society, as approved regulator, is hereby required to provide the following information to the Chief Executive of the LSB:
 - A monthly report (in PDF or Word format), on the final working day of each month commencing on 29 February 2012, on the delivery and implementation of the Society / SRA proposals on governance provided to the LSB by the Society in a letter dated 23 November 2011 and by the SRA in a letter dated 25 November 2011 ("the letters"). The monthly report must be submitted by the Society with confirmation that both the CEO of the SRA and the Director of Organisation Services (once appointed) have been invited to comment on the report, together with such comments as have been provided to the Society on behalf of those individuals. Each report must, for the monthly reporting period to which it relates:
 - State what aspects of the Society / SRA proposals on governance have been implemented and assess the progress of implementation against milestones set out in the timetable in the letters. Where the delivery does not match that set out in the timetable, state why and what action has / will be taken to remedy slippage;
 - Detail any disagreement concerning the provision of shared services to the SRA by the Society including any that have been escalated to the Director of Organisation Services (once appointed) and / or the Business and Oversight Board. For each issue, state the nature of the disagreement and the outcome / progress to date for each.
 - Detail all the requests for information, including urgent requests, made to the SRA by the Society and the responses to those requests during the reporting period. For the avoidance of doubt, this will include those made in the Society's oversight capacity and in its representative roles as detailed by paragraphs 11 and 12 of the Oversight Protocol and the log of requests kept by the SRA as detailed in paragraph 13 of the oversight protocol.
 - State if the SRA has informed the Society of any instances where the SRA considered that, either in an individual case or more generally, Society requests for information made during the reporting period were disproportionate or inappropriate. This includes those instances in which the matter was discussed between the SRA Chief Executive and the Chair(s) of the Business and Oversight Board as well as those formally considered by the Business and Oversight Board and more generally in the absence of the Business and Oversight Board. Provide an

explanation of the issue, each party's position – particularly that of the Society, whether / how the matter was resolved or the timetable and process for resolution.

- Detail any instances in which the Society and the SRA disagreed concerning the proper application of the Internal Governance Rules 2009 in relation to a particular issue during the reporting period, provide an explanation of the issue, each party's position, whether / how the matter was resolved or the timetable and process for resolution.
- The following documents:
 - Complete copies of the Business and Oversight Board meeting minutes, agenda and papers supplied to members of the Board, within 24 hours of the start of the Board meeting at which the said papers are tabled; and
 - All additional papers, presentations or other documents provided to the Business and Oversight Board during meetings, within 24 hours of the start of the Board meeting at which they are tabled.
 - All further papers provided to the Business and Oversight Board outside the planned schedule of meetings, within 24 hours of the start of the next Board meeting that follows the provision of the said papers.
- 4. The copies of the Business and Oversight Board minutes, the agenda and papers must be sent to the Chief Executive of the Legal Services Board in PDF or Word format.
- 5. This requirement continues until such time as the eighth successive monthly report described above has been received by the LSB.
- 6. The LSB reserves the right to amend or revoke this notice, by giving further notice to the Society.

Legal Services Board

February 2012