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15 September 2017

Dear Neil,

Re: application to change regulatory arrangements regarding switching regulators

Thank you for the recent discussions regarding our July application to change our regulatory arrangements in respect of removing barriers to switching regulators. I thought it might be helpful for us to set out our position so that we may make early progress towards a decision. In our view, there is no change in substance to the policy, risks or mitigation of the application since it was originally submitted.

Our discussions with other regulators have highlighted that a single protocol covering all regulators is no longer feasible. This is because some regulators either do not regulate entities or do not envisage a law firm switching from another regulator to them because of their particular market position. This has led us to the view that we should conclude bilateral protocols with each regulator that wishes to operate this arrangement.

As you know, the protocols are not regulatory arrangements and therefore do not need to be approved. In this case they do, nevertheless, form part of the context which is relevant to this application.

Our position is that the protocol, whether as a single one between all regulators or a series of bilateral ones between interested regulators, serves as a mitigation to any risk of consumer detriment that arises from a firm being able to switch regulators without securing run off cover.

Having reached the view that bilateral protocols are necessary, we also take the view that a clarification to the drafting of the rules submitted to you is appropriate. That change simply acknowledges that there will be a number of protocols rather than just one.

Our Board has agreed that as of today and I am therefore including a revised and remade set of rules for your approval, with a copy of the agreed SRA/CLC protocol as an example of the bilateral protocol.

We are keen for the original application to proceed and note that the start of many firms' indemnity year on the 1 October provides some pressure for a decision in order to allow firms to switch from the SRA to the CLC.

Please do let me know if you have any further questions.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read "Crispin Passmore". The signature is written in a cursive style with a large initial 'C' and a horizontal line underneath.

Crispin Passmore
Executive Director, Policy