

Direction 138 issued under Part 3 of Schedule 4 to the Legal Services Act 2007 to the Solicitors Regulation Authority (SRA)

1. This is a direction issued pursuant to paragraph 19(3) of Schedule 4 to the Legal Services Act 2007 (the Act).
2. Unless stated otherwise, words in this direction are used as they are defined in the Act.
3. In accordance with paragraph 19(3) of Schedule 4 to the Act, the Legal Services Board (the Board) has directed that the following alterations to regulatory arrangements be treated as exempt alterations for the purposes of paragraph 19(2)(c) of Schedule 4:

SRA amendments to PII rules and glossary drafting subsequent to PII/Comp Fund application approved on 31 May 2019

Proposed amendments

4. The LSB approved alterations to the SRA's regulatory arrangements in respect of its Compensation Fund and Professional Indemnity Insurance arrangements on 31 May 2019. Immediately following the decision being taken the SRA alerted the LSB to drafting errors within the documentation.
5. There are two instances of the word *relevant* that were not included in the rules as approved by the LSB on 31 May 2019. The changes are set out, highlighted and marked red below.

SRA Indemnity Insurance Rules

Annex 1 – SRA Minimum Terms and Conditions of Professional Indemnity Insurance

“2.1 Any one claim

The **sum insured** for any one **claim** (exclusive of **defence costs**) must be, where the **insured firm** is a **relevant recognised body** or a **relevant licensed body** (in respect of activities regulated by the **SRA** in accordance with the terms of the body's licence) at least £3 million, and in all other cases, at least £2 million.”

6. The glossary approved by the LSB on 31 May 2019 did not include the terms *relevant recognised body* or *relevant licensed body*. As a result the SRA has submitted the following terms for inclusion in its amended glossary.

Glossary for SRA Indemnity Insurance Rules (including the MTC) and SRA Compensation Fund Rules

relevant licensed body	means a licensed body other than: (a)
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	<p>an unlimited company, or an overseas company whose members' liability for the company's debts is not limited by its constitution or by the law of its country of incorporation; or</p> <p>(b)</p> <p>a nominee company only, holding assets for clients of another practice; and</p> <p>(i)</p> <p>it can act only as agent for the other practice; and</p> <p>(ii)</p> <p>all the individuals who are principals of the licensed body are also principals of the other practice; and</p> <p>(iii)</p> <p>any fee or other income arising out of the licensed body accrues to the benefit of the other practice; or</p> <p>(c)</p> <p>a partnership in which none of the partners is a limited company, an LLP or a legal person whose members have limited liability</p>
relevant recognised body	<p>means a recognised body other than:</p> <p>(a)</p> <p>an unlimited company, or an overseas company whose members' liability for the company's debts is not limited by its constitution or by the law of its country of incorporation; or</p> <p>(b)</p> <p>a nominee company only, holding assets for clients of another practice; and</p> <p>(i)</p> <p>it can act only as agent for the other practice; and</p> <p>(ii)</p> <p>all the individuals who are principals of the recognised body are also principals of the other practice; and</p> <p>(iii)</p> <p>any fee or other income arising out of the recognised body accrues to the benefit of the other practice; or</p> <p>(c)</p> <p>a partnership in which none of the partners is a limited company, an LLP or a legal person whose members have limited liability; or</p> <p>(d)</p> <p>a sole practitioner that is a recognised body</p>

Reason for exemption direction

- The alterations do not represent a shift in the SRA's regulatory approach or policy. They simply correct drafting errors made in the SRA's recent rule change application as approved by the LSB on 31 May 2019.

8. A copy of the alteration was submitted to the Board on 31 May 2019.
9. This direction is to be deemed made on and to be effective from 7 June 2019.

For and on behalf of the Legal Services Board
7 June 2019