



Solicitors  
Regulation  
Authority

**Application made by the Solicitors Regulation Authority  
Board to the Legal Services Board under Part 3 of  
Schedule 4 of the Legal Services Act for the approval of  
changes to regulatory arrangements relating to  
Compensation Fund contributions  
14 July 2017**

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**Application made by the Solicitors Regulation Authority Board to the Legal Services Board under Part 3 of Schedule 4 of the Legal Services Act for the approval of changes to regulatory arrangements relating to Compensation Fund contributions.**

**A. Proposed alterations**

***Compensation Fund Contributions***

1. The SRA needs to set the Compensation Fund contributions for the practising year 2017/18. The methodology used to allocate the cost of the Fund throughout the regulated community remains the same as last year. 50% of the funding requirement will be met by a fixed contribution from regulated individuals, and 50% by a fixed contribution from regulated firms holding client money.
2. A contribution level of £11.1m (2016: £8.5m) would result in an individual contribution of £40 (2016: £32) and a firm contribution of £778 (2016: £548) which is an increase for the first time in three years.
3. The proposed level of contribution has been calculated in line with the established methodology, which involves assessing expected payouts and levels of claims by looking at historic trends in relation to claim numbers, amounts and timings and refined to take account of relevant more specific information where available.
4. This year we have also had to make an increase to the appropriate reserve to take account of a number of high value exceptional cases; primarily arising from solicitor involvement in investment schemes where individual clients have potentially suffered significant losses.
5. The calculation also uses the best view of predicted numbers and costs of interventions for 2017/18 onwards, continuing trends for business as usual, the impact of the closure of the Assigned Risks Pool (ARP) and claims in relation to uninsured firms with consideration also being given to any high risk potential liabilities where known.
6. The forecast sum for grants during 2017/18 is £12.5m and we have also included a provision of £11.5m for claims arising from the small number (but high total value) of investment scheme cases. The latter is our best assessment of payments which may be made on these cases in 2017/18.
7. The contributions are not practising fees under the Legal Services Act 2007 (LSA), and so approval is required under part 3 of Schedule 4 rather than under s 51 of the LSA.

**B. Details of the relevant regulatory arrangements**

***Nature and effect of the existing position***

8. The SRA is required by statute to maintain a Compensation Fund to compensate consumers who lose money due to the dishonesty or failure to account of solicitors (REs and RFLs) or recognised bodies. The Compensation Fund provisions were extended to licensed bodies when we became a licensing authority. This required statutory amendments under s69 LSA which were made after the necessary consultation by the Legal Services Board (LSB).

9. The statutory powers permit the SRA to require the regulated community to contribute to the Compensation Fund. The Compensation Fund Rules require both regulated individuals and regulated firms to make an annual contribution, collected mainly during the annual renewal/data collection exercise. Payment is required by 31 October for the following practising year.
10. In the absence of any evidence to suggest that the current approach to the apportionment of Compensation Fund contributions is fundamentally flawed, and given that the review of compensation arrangements is ongoing, it is proposed that the arrangements for the collection of the Compensation Fund contributions remain the same as previous years. This proposal supports principles: 3 (predictable income) and 4 (stability) of the SRA fees policy.
11. Each year the SRA Board reviews the funding requirement for the following practising year and sets the individual and firm contributions at a level which ensures that the funding requirement is met. The contributions are required to fund the cost of claims, reserves and the cost of handling the claims. The SRA Finance and Audit Committee reviews the claims experience, level of reserves and budget for staff to handle the claims before making a recommendation to the SRA Board. The SRA Board then makes a recommendation to the Law Society Council which is required, under the Law Society's General Regulations, to approve the overall funding requirement. The SRA Board then makes the final decision on apportionment and sets out the contribution by resolution (the Compensation Fund determination).

### **C. Nature and effect of the proposed change**

12. The Finance and Audit Committee, having gone through a detailed review, recommended that the funding requirement for 2017/18 should be £11.1m. The basis of this recommendation is included as Annex A which sets out the relevant financial analysis to support the £11.1m requirement. SRA Board considered this on 31 May 2017 and Management Board on 22 June 2017 and both approved the same. It was subsequently approved by the Law Society Council on 5 July 2017. The SRA, therefore, now seeks the approval by the LSB of the following determinations:

#### ***Annex B: Draft Determination of Compensation Fund contributions 2017***

- This prescribes the individual and firm Compensation Fund contribution.

#### ***Annex C: Draft Determination of Compensation Fund contributions for Licensed Bodies 2017***

- This prescribes the contributions payable by licensed bodies.

### **D. Rationale for level of contribution**

13. The funding requirement for the Compensation Fund will vary year on year depending on claims experience. The proposed level of contribution has been calculated in line with the established methodology and refined to take account of relevant, more specific information where available, with consideration being given to additional high risk potential liabilities.
14. Over the years there have been variations with sometimes significant increases, for example, during property recessions. The reserving policy referred to in the Annex A, and forward forecasting seeks, as much as possible, to avoid large swings and has

been refined to take account of relevant, more specific information where available, with consideration being given to additional high risk potential liabilities. The additional reserve required has been debated in detail at Finance and Audit committee.

15. The table below shows the expected cash inflows and outflows to the Fund, illustrating that a contribution of £11.1m is required to maintain an appropriate reserve.

	2016/17	2017/18
Opening balance	40.1	37.0
Grants	(12.5)	(14.5)
Other costs	(11.0)	(11.0)
<b>Cash outflows</b>	<b>(23.5)</b>	<b>(25.5)</b>
STA income	10.2	12.5
Recoveries and interest	1.5	1.6
<b>Cash inflows</b>	<b>11.7</b>	<b>14.1</b>
<b>Net cash outflow</b>	<b>(11.8)</b>	<b>(11.4)</b>
<i>Contributions</i>	<i>8.7</i>	<i>11.1</i>
<b>Closing balance (before exceptional cases)</b>	<b>37.0</b>	<b>36.7</b>
Exceptional case payments	0.0	11.5
Closing balance	25.8	25.2

16. The appropriate reserve level (closing balance before exceptional cases) is established through an agreed formula:

(1.5 x weighted average grants in previous 7 years) + (3 months' costs) and an additional amount to take account of high value exceptional cases.

(1.5 x £15.0m) + (£2.7m)	£25.2m
Plus potential grants on Exceptional Cases	£11.5m
<b>Total Appropriate Reserve</b>	<b>£36.7m</b>

## E. Statement in respect of the Regulatory Objectives

17. The existence and effective operation of a Compensation Fund primarily protects and promotes the interests of consumers, in ensuring that they receive compensation if their money is lost or not accounted for while in the hands of a regulated individual or entity. However it also promotes the public interest and improves access to justice in giving the public the confidence to entrust funds to solicitors and so facilitate many legal transactions. That is why statute requires such funds to be provided by the legal profession. Given the existence of such funds it is also in consumers' interests to ensure that they are adequately funded and so able to meet claims without undue delay.

## **F. Statement in respect of the Better Regulation Principles**

18. The way in which the Compensation Fund requirement is allocated among the profession was reviewed in 2010 particularly in order to improve transparency and accountability. Following the SRA Board's decision in February 2014 to maintain the PC fees and Compensation Fund contributions apportionment structure for two years, pending a wider review, it was only the amounts that changed.

## **G. Statement in relation to desired outcomes**

19. The desired outcome in relation to the alteration is to achieve a properly funded Compensation Fund that is able to meet claims as they fall due without undue delay. The Fund is reviewed annually and is also subject to audit. Regular reports on claims experience are made to management and the financial status of the Fund is a key priority for the SRA Finance and Audit Committee.

## **H. Statement in relation to impact on other approved regulators**

20. Although the contribution amounts are changing the Compensation Fund is specific to those individuals and/or bodies regulated by the SRA and therefore there should not be an impact on other approved regulators.

## **I. Implementation Timetable**

21. The SRA Board and the Law Society Council finalise the total funding requirements in July and seek LSB approval of the practising fees. During August final preparations for this year's renewal exercise will be made and on 1 October 2017 firms and individuals will be contacted and asked to make the various renewal applications on line and submit the relevant Compensation Fund contributions and other fees by 31 October 2017.

## **J. Stakeholder engagement**

22. As is standard practice, a comprehensive communications plan was drawn up to promote the determination of the 2017/18 practising fees, including the proportion of Compensation Fund contributions. The purpose of the communications plan was to ensure that the regulated community and relevant stakeholders were informed of:
- The 2017-18 fees structure
  - The availability of the fees calculator to help them
  - The level of fees to be collected
23. The following elements of the communications plan for fees and compensation fund activities had been delivered or are scheduled for delivery:
- Compensation Fund mentioned in the NFR consultation.
  - There has been widespread media coverage.
  - 31 May – introductory communications around compensation fund financial statements for last year via a press release and briefing at 31 May Board.
  - Mid June – detail on Compensation fund activity published in our new Annual Review.
  - 23 June – announcement (to coincide with The Law Society Group consultation) on practising fees. Including:

- press release highlighting the consultation from the Law Society, with a quote from Chief Executive, Paul Philip
- Updated web materials - and a fees calculator.
- 23 June – further warning notice issued on solicitor involvement in fraudulent investment schemes and press release on the changes in the compensation fund contributions because of this.
- End June – section in SRA Update to all of the profession.
- Early July – communication via social media (Twitter and LinkedIn) following investment scams news release - will reference the comp fund.
- Mid July – first PCRE email to all regulated firms - around 18,000 authorised signatory and organisation contacts.
- August – following LSB decision/approval update of web materials confirming fees.
- Early September – further PCRE email to approx 45,000 people – all firms, individuals and non-regulated organisations that renew practising certificates or registrations.

### **SRA contact for matters relating to this application**

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### **Annex A - Basis of recommendation**

### **Annex B - Draft Determination of Compensation Fund contributions 2017**

### **Annex C - Draft Determination of Compensation Fund contributions for Licensed Bodies 2017**

# ANNEXES

# Annex A – Basis of recommendation

## Compensation Fund Contribution for 2017/18

### Recommendation

1 The SRA Board recommended that Council sets the contributions to the Compensation Fund (“the Fund”) for 2017/18 at £11.1m resulting in:

- individual contribution                    £ 40    (2016/17 - £32)
- firm contribution                            £778    (2016/17 - £548)

### Background

- 2 The Fund pays discretionary grants to people who have lost money as a result of dishonesty or failure to account by solicitors or law firms. It also has a fairly recent jurisdiction to pay discretionary grants to people who cannot recover damages from a solicitor or law firm because of a failure to obtain indemnity insurance.
- 3 The SRA Finance and Audit Committee (FAC) and the SRA Board have operated a policy of maintaining a relatively steady level of contributions over the short to medium term – avoiding significant year on year fluctuations. This has been done in order to assist contributors in their financial planning.
- 4 In addition we have been in a period where we have been reducing the level of cash reserves held by the Fund. Cash reserves were increased at a time where we faced high levels of claims for conveyancing matters following the 2008 financial downturn. The great majority of these claims did not result in payments from the Fund which meant that the level of cash reserves held by the Fund were higher than necessary to meet the more normal levels of call on the fund.
- 5 We have in recent years set contributions at a level which provided income to the Fund lower than cash outflows in order, over a period of time, to bring the Fund’s cash reserves down to what we would calculate to be an appropriate level.
- 6 The FAC considered the appropriate level of contributions for 2017/18 in detail on two occasions in order to reach the recommendation made to the Board. The key issue for the FAC has been whether
  - (a) to maintain the approach of recent years and keep contribution levels the same as in 2016/17 and so continue to reduce the level of Fund reserves, or
  - (b) given the information available about the potential level and timing of significant claims from investment scheme frauds, to increase contributions for 2017/18.

- 7 After careful consideration the FAC decided that the latter approach is necessary, and that decision formed the basis of the recommendation to the Board.

### **Fund Position as at 30 April 2017**

- 8 Total grant payments for the practice year 2015/16 were £10.4m. The gross value of open claims<sup>1</sup> received as at 30 April 2017 was £90.6m. We forecast that in the year 2016/17 we will pay grants of £12.5m.

### **Claims for uninsured loss**

- 9 These are applications to the Fund (following closure of the Assigned Risks Pool (ARP) at the end of September 2013) for losses suffered as a result of the civil liability of a firm which did not have insurance against which claims could be made. Capita deals with these claims on our behalf because of their close relationship to formal negligence claims which they also dealt with as manager of the ARP.
- 10 At the end of April 2017 there have been 92 claims, of which 81 have been closed and 11 are currently under investigation with a total claim value of £5.8m.

### **Cost Pressures**

- 11 During the year we became aware of a number of significant investment fraud schemes involving solicitors. We issued warning notices about these to the profession and to the public. A number of implications arise from the increase in prevalence of these schemes.
- 12 The FAC considered what, if any, impact these cases may have on the level at which contributions to the Compensation Fund need to be set to maintain Fund resources at an appropriate level. In considering this issue FAC was mindful of the fact that we will, in any event, need to increase contributions in the relatively near future. This is because we have been deliberately “under” collecting in recent years in order to reduce the level of Fund reserves.
- 13 Even if we did not face increased levels of payment out from the Fund in respect of investment scheme cases, we would need to increase contributions in order to maintain appropriate reserve levels. FAC first reached a decision that it would be necessary to increase contributions as a result of both ending the reserves reduction policy and to meet investment scheme claims. It then considered whether an increase was necessary in 2017/18 or whether an increase should be postponed to 2018/19 (with 2017/18 contributions maintained at 2016/17 levels).

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<sup>1</sup> The ‘Original Claims Value’ which after analysis is usually reduced to ‘Revised Claims Value’ which represents a more realistic estimate of the correct value of the claim. Claimants often seek much more “compensation” than is actually payable from the Fund.

- 14 On balance both staff and the FAC, have reached the conclusion that contributions need to be increased for 2017/18. This is because some investment scheme claims may crystallise in 2017/18 and it is considered preferable (in accordance with the “smoothing” policy referred to at paragraph 3 above) to increase contributions gradually rather than in a very significant single year increase (as would most probably be necessary if we postponed an increase until 2018/19).

### **Calculation of Recommended Contribution for 2017/18**

- 15 As in previous years, the recommended contribution has been calculated by considering the opening balance of money held in the Fund and then taking account of:
- calculation of the appropriate reserve required (see paragraphs 17 to 19)
  - forecast cash outflows (i.e. grants and costs – see paragraphs 20 to 24)
  - cost paid from the compensation fund (see paragraphs 25 to 26)
  - forecast cash inflows (excluding the contribution – see paragraphs 27 to 29).
- 16 This leads to the required contribution being identified as a balancing figure with value incorporated for the high value exceptional cases in addition to the established calculation. This approach was taken in 2013/14 when the mortgage fraud cases project was established.

### Appropriate Reserve

- 17 We have increased the calculation of the appropriate reserve to take account of the medium to high risk high value exceptional cases.
- 18 Based on the intelligence we have about the investment scheme fraud claims we have made a best estimate of when they could be paid. This position will continue to change over the coming months as we investigate further.
- 19 The calculation used for the appropriate reserve produces the following figure for 2017/18:

- (1.5 x weighted average grants in previous 7 years) + (3 months’ costs)

Being: £22.5m (1.5 x £15.0m) + (£2.7m)	£25.2m
Plus potential grants on Exceptional Cases	£11.5m
<b>Total Appropriate Reserve</b>	<b>£36.7m</b>

### Future Claims and Costs

- 20 The main factors in forecasting grants are the numbers of current claims and expected future claims. The latter is determined by the expected number of interventions.

- 21 For the purpose of this calculation, we have assumed that there will be 45 interventions in this and subsequent practising years. This is a conservative estimate based on the number of interventions year to date and the expected activity for the rest of the year.
- 22 Interventions account for the bulk of the costs paid by the Fund. We liaise closely across several internal departments on potential interventions to help forecast future intervention costs more accurately (as well as to prepare operationally). Forecasting intervention numbers beyond that is very difficult.
- 23 We have seen an increase in the number of larger interventions in the first five months of this financial year (Nov 16 – Mar 17). This will impact on both the costs charged to the Fund and also the level of claims made.
- 24 As discussed above, we are also seeing more high value exceptional cases. Although we do not yet have the level of claims seen in 2012-14 during the height of the mortgage fraud cases, we are making operational changes to ensure we have appropriate capacity and capability.

#### Costs paid from the Compensation Fund

- 25 The amount forecast to be paid from the Fund for 2016/17 is £11.0m based on the intervention costs included in the SRA budget.
- 26 For 2017/18 the predicted recharge is £11.0m. This is made up of £6.9m intervention costs and the remainder is other staff related costs and shared service contribution. It is assumed that rates of recovery from existing and future statutory trust accounts will not differ significantly from previous years.

#### Cash Inflows

- 27 The main cash inflows to the Fund (excluding contributions) are transfers from Statutory Trust Accounts (STAs) through rights of subrogation and the transfer of residual balances.
- 28 Based on evidence of previously closed STAs and the ongoing work on live accounts, subrogated and residual funds are expected to total £10.2m in this year and £12.5m next year.
- 29 Money is also recovered from intervened solicitors or through claims against the indemnity insurer of an intervened firm. Recoveries were £1.3m in 2015/16 and are forecast at £1.4m in 2016/17, increasing to £1.5m from 2017/18 onwards.

#### **Recommended 2017/18 contribution**

- 30 The required contribution is £11.1m, which is £2.6m higher than last year's requirement (£8.5m in 2016/17).
- 31 The table below shows the expected cash inflows and outflows to the Fund. Indicative figures are shown covering the current and next three practising years. The level of contributions is set each year to ensure that reserves are maintained at the appropriate level.

- 32 The main driver of the increase in fees this year is the increase in the level of the appropriate reserve to take into account the high value cases in relation to investment scheme fraud.
- 33 The table below shows the expected position at the end of the 2017/18 financial year including the impact of payment of claims in respect of exceptional investment scheme cases.
- 34 Given the uncertainty over the extent and timing of these claims any future forecasts are highly uncertain and therefore have not been included. The forecasts are based on the currently available information and may change as we move through the next financial year.
- 35 We continue to closely monitor the development of these cases and as the position becomes clearer on each we will review and update future forecasts. At the most extreme position, should all of the current cases where there are potential claims result in payment then there would necessarily be future increases in contribution levels. However as we have explained we are simply not in a position to make this definitive judgment at this stage.

	2016/17	2017/18
Opening balance	40.1	37.0
Grants	(12.5)	(14.5)
Other costs	(11.0)	(11.0)
<b>Cash outflows</b>	<b>(23.5)</b>	<b>(25.5)</b>
STA income	10.2	12.5
Recoveries and interest	1.5	1.6
<b>Cash inflows</b>	<b>11.7</b>	<b>14.1</b>
<b>Net cash outflow</b>	<b>(11.8)</b>	<b>(11.4)</b>
<i>Contributions</i>	8.7	11.1
<b>Closing balance (before exceptional cases)</b>	<b>37.0</b>	<b>36.7</b>
Exceptional case payments	0.0	11.5
Closing balance	25.8	25.2

- 36 For the purposes of calculating individual and firm contributions it has been assumed that there will be the equivalent of 139,000 individuals paying a fee and approximately 7,100 firms paying a contribution. There is an increase in individuals but a reduction in the number of firms from last year which has resulted in a disproportionate increase for firms. The table below compares fee levels in 2016/17 and those recommended for 2017/18.

	2016/17		2017/18		Increase	% Increase
	Volumes	Fee	Volumes	Fee		
Firms	7,750	£548	7,100	£778	£230	42%
Individuals	133,000	£32	139,000	£40	£8	24%
<b>Total Collection</b>		<b>£8.5m</b>		<b>£11.1m</b>	<b>£2.6m</b>	<b>31%</b>

- 37 A collection of £11.1m would therefore result in an individual contribution of £40 and a firm contribution of £778 with 50% of the contribution collected from individuals and 50% from firms.

### **Next steps**

- 38 The fees will increase for the first time in three years. We therefore conducted a wider communication plan than usual explaining the impact of the high value exceptional cases. A full briefing note is attached at Annex 1.

### **Supporting information**

#### **Links to the Strategic Plan and / or Business Plan**

- 39 This proposal relates to our strategic objective to “improve our operational performance and make fair and justifiable decisions promptly, effectively and efficiently” in the context of ensuring client protection through an effective and efficient Compensation Fund.

#### **How the issues support the regulatory objectives and best regulatory practice**

- 40 A properly run Compensation Fund provides transparency and accountability.

#### **What equality and diversity considerations relate to this issue**

- 41 The increase of the contribution to the Compensation Fund is likely to have a greater impact on sole practitioners and firms with 2 - 4 partners and therefore indirectly for BAME solicitors who are disproportionately represented in this cohort. However unlike the firm Practising Certificate fee which is calculated by turnover, this impact is not mitigated by considerations of ‘ability to pay’. Because the annual cost of regulation will be felt mainly through the PC fee, and as the increase in the contribution to the Compensation Fund would be the first in three years, we are asking only for what we reasonably need to satisfy forecast claims. This increase is therefore proportionate and meets a legitimate aim to compensate claimants.
- 42 We provide reasonable adjustments for older solicitors who are unable to close their firm at retirement due to high levels of insurance costs. The SRA supports older solicitors through this process.

## **Appendix 1 - Compensation Fund contributions communications approach**

### **Communications approach**

Any increase in Compensation Fund contributions is unlikely to be welcomed by the profession. Our communications approach will aim to offer reassurance to the profession that:

- the increase is necessary, because of changes in the market. Analysis shows that there are likely to be more high value exceptional claims on the fund
- it is in the interests of the public and the profession that the fund can provide compensation for claims that meet the criteria
- we are managing the compensation fund efficiently and effectively, and will make sure the profession pays no more than they need to
- we always notify contribution levels well in advance to help firms to plan ahead.

In order to manage the communications risks, we plan to take a proactive approach, with a focus on making sure our messages reach legal professionals. We aim primarily to do this through the legal trade press and direct correspondence with law firms of all sizes.

### **Key messages**

#### **Compensation Fund is essential to protect public and maintain trust in profession**

- The Compensation Fund is essential if we are to protect the public, and maintain trust in the profession.
- People can be confident that if they use a regulated solicitor, they have the protection of professional indemnity insurance, with a further backstop of the compensation fund for cases, for instance, that involve dishonesty.

#### **Increase needed – for first time in three years – to make sure sufficient funds to cover claims**

- We need to make sure that there is sufficient funding, including reserves, available to cover valid claims, so we plan to increase contributions for the first time in three years.
- This reflects our assessment of the level of risk related to current and potential cases. The evidence suggests we will see an increase in high value exceptional claims.
- For example, we have seen a rise in investment scams involving solicitors. The increase in these scams prompted warning notices to the profession and the public, as well as increased enforcement action. Consumers have already lost significant amounts. Every case will not result in successful claims, but we need to make sure we have appropriate funding available.

**We are committed to making sure we use the profession's money effectively. We will continue to monitor this issue**

- As well as maintaining trust in the profession, we are committed to making sure we use the profession's money efficiently and effectively.
- We will continue to monitor this issue, so that we can make sure compensation fund contributions are set at an appropriate level.

**Background:**

On the basis proposed, the contribution for 2017/18 would total £11.1m with individual and firm contributions increasing for the first time in three years to:

- Individual contribution           £40   (2016/17 - £32)
- Firm contribution                   £778   (2016/17 - £548)

**Core activities**

- 31 May: Warm-up communications around compensation fund financial statements for last year, communicated through press release and briefing at 31 May Board
- Detail on Compensation fund activity in new Annual Review, to be published in June
- Mid June: Announcement to coincide with The Law Society Group consultation on practising fees. This will include:
  - letter to authorised signatory of all firms
  - letter to senior partners at City (RM) firms
  - press release highlighting the consultation, as well as the changes in the compensation fund contributions. Release will go to trade press on an embargoed basis with background briefing. Update web materials - and fees calculator - to reflect new information and key messages around compensation fund
  - Include core messages in next editions of our professional newsletters, SRA Update and Compliance News
- Mid-July onwards: reference in PCRE warm up communications and subsequent communications
- Placed pieces on Compensation Fund in trade press
- August: following LSB approval, update web materials confirming final fees

We will also develop reactive lines, for use with media, stakeholders and on social media, so we are in a position to respond quickly to queries and challenges of our approach. This will include lines about how we make sure we manage the compensation fund in an efficient and effective way.

## Annex B - Draft Determination of Compensation Fund contributions 2017

This determination is made by the Solicitors Regulation Authority Board under rule 2.3 of the SRA Compensation Fund Rules 2011, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

- (1) Every person who applies for a practising certificate to commence on or after 1 November 2017, or who applies for initial registration or renewal of registration as a registered European lawyer or registered foreign lawyer to commence on or after 1 November 2017, shall pay with the fee payable in respect of that application, a contribution of £40 to the Fund.
- (2) Every recognised body or recognised sole practice that has held or received client money (as defined in the SRA Accounts Rules 2011) during the period 1 November 2016 to 31 October 2017, shall pay with the annual periodical fee, a contribution of £778 to the Fund.
- (3) Every person that:
  - (a) applies for initial recognition as a recognised body or initial recognition as a recognised sole practice to commence during the period 1 November 2017 to 31 October 2018; and
  - (b) intends to hold or receive client money (as defined in the SRA Accounts Rules 2011) at any time during the period 1 November 2017 to 31 October 2018shall pay with the fee payable in respect of that application, a contribution to the Fund as follows:
  - i. £778 on applying for initial recognition to commence in the period 1 November 2017 to 31 December 2017;
  - ii. £583 on applying for initial recognition to commence in the period 1 January 2018 to 31 March 2018;
  - iii. £389 on applying for initial recognition to commence in the period 1 April 2018 to 30 June 2018;
  - iv. £194 on applying for initial recognition to commence in the period 1 July 2018 to 31 October 2018.
- (4) The SRA may waive the contribution payable under paragraph (3) above in circumstances where the initial application is made by a body which is changing its legal status or is succeeding to the practice of another authorised body and the predecessor body or practitioner has already paid a contribution to the Fund.
- (5) In this determination:

**Fund** means the Solicitors' Compensation Fund established and maintained under rule 2.1 of the SRA Compensation Fund Rules 2011;

All other terms are to be interpreted in accordance with the Practising Certificate Fee Determination 2017.

- (7) This determination shall come into force on 1 November 2017.

## Annex C - Draft Determination of Compensation Fund contributions for Licensed Bodies 2017

This determination is made by the Solicitors Regulation Authority Board under rule 2.3 of the SRA Compensation Fund Rules 2011, with the approval of the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007.

- (1) Every licensed body that held or received client money (as defined in the SRA Accounts Rules 2011) at any time during the period 1 November 2016 to 31 October 2017, shall pay, with the annual periodical fee, a contribution of £778 to the Fund.
- (2) Every licensed body that intends to hold or receive client money (as defined in the SRA Accounts Rules 2011) at any time from the date on which the body is authorised to 31 October 2018, shall pay, with the initial periodical fee, a contribution to the Fund as follows:
  - i. £778 on applying for initial recognition to commence in the period 1 November 2017 to 31 December 2017;
  - ii. £583 on applying for initial recognition to commence in the period 1 January 2018 to 31 March 2018;
  - iii. £389 on applying for initial recognition to commence in the period 1 April 2018 to 30 June 2018;
  - iv. £194 on applying for initial recognition to commence in the period 1 July 2018 to 31 October 2018.
- (3) The SRA may waive the contribution payable under paragraph (2) above in circumstances where the initial application is made by a body which is changing its legal status or is succeeding to the practice of a recognised body or recognised sole practitioner and the predecessor body or practitioner has already paid a contribution to the Fund.
- (4) In this determination:

**Fund** means the Solicitors' Compensation Fund established and maintained under rule 2.1 of the SRA Compensation Fund Rules 2011; and

All other terms are to be interpreted in accordance with the Licensed Body Fee Determination 2017.
- (5) This determination shall come into force on 1 November 2017.