



Legal Services Board
7th Floor
Victoria House
Southampton Row
London
WC1B 4AB

14th August 2009

Dear Sirs,

BVCA response to ‘Wider access, better value, strong protection’ discussion paper

The BVCA- The British Private Equity and Venture Capital Association- is the representative body for private equity and venture capital in the UK. Our members include the whole spectrum of investment houses, from small venture capital firms, to global buyout funds.

We welcome the opportunity to respond to this discussion paper on developing a regulatory regime for alternative business structures. We note that further consultation will take place later this year, and therefore keep our comments here brief.

The private equity industry has strongly supported – since the Clementi Review – measures to open up the market for legal services and to move towards a liberalised, more consumer-focused framework for this sector; one which caters for new types of providers with alternative business structures. We also believe the timeline to grant ABS licences from mid 2011 is both achievable and advantageous in allowing the market to access new forms of investment in the relatively short term.

Private equity offers a huge source of potential additional capital for the legal services market: last year, BVCA members invested over £8bn into 1300 UK businesses across most sectors of the economy (as well as a further £12bn in to companies outside the UK).

It also offers a large pool of management skill: one of the features of private equity investment is the activist approach taken with investee companies, and the parallel alignment of interest between owners and managers, both of which have helped the sector outperform other asset classes over the long term (10 year average performance for the industry is 15.4% p.a. compared with 3.7% for pension fund assets and 1.2% for the FTSE All Share index).

This model of ownership means that if the legal services market is to benefit fully from the capital and skills that private equity can bring to it, it will be important that proper provision be made in the proposals for non lawyers to be able to manage and control legal services businesses. Making such a provision clear would help achieve one of the key aims of the

discussion paper, in ensuring that the eventual regulatory framework is one which mitigates risk without erecting barriers to entry.

The BVCA would also like to see the Solicitors Regulation Authority (SRA) adopt a transitional measure to allow investment by third parties in solicitors' firms under the current rules while the ABS framework is being finalised. Non solicitors are actively building legal services brands e.g. the Co-op, and the SRA's restrictive approach (see the guidelines published by the SRA) to suggestions on structures which could be accommodated under current rules are putting the profession at a competitive disadvantage. We would wish you to engage with the SRA to explore whether some form of transitional arrangements could be agreed.

The BVCA would be happy to discuss these comments with you in more detail, and look forward to contributing to the LSB's thinking as we move towards 2011.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Simon Walker', is positioned above the typed name.

Simon Walker

Chief Executive Officer

BVCA – The British Private Equity and Venture Capital Association