



# Control functions

## Compliance officers for legal practice and financial administration

7 July 2011



# Today's presentation

## Why Compliance Officers?

- Compliance Officers – the regulatory framework
- Approval of Compliance Officers
- Supervision and Compliance Officers
- What steps should you be taking now?
- Timelines



# Outcomes-focused regulation

Outcomes-focused regulation means we are changing the way in which we interact with regulated entities and individuals.

- Encouraging firms to become more proactive in identifying, managing and mitigating risks
- Firms will have the flexibility to decide how outcomes can be achieved.
- A risk-based approach to our focus and decision making



## Why Compliance Officers?

- To focus firms on managing and minimising risks  
Firms will be encouraged and supported to manage risks within their own business
- Greater public protection  
Introduction of the new Suitability Test and enhanced vetting
- Statutory role in Licensed Bodies (HOLPs/HOFAs)  
Seeking a level playing field between licensed bodies and recognised bodies



# Compliance Officers

The role of the Compliance Officers is integral to a firm's compliance with regulatory requirements and will be the lynchpin in an appropriate risk management framework.

At all times, the body must have an individual who is designated as its Compliance Officer for Legal Practice (COLP) and an individual who is designated as its Compliance Officer for Finance and Administration (COFA).



Is your firm already planning for the requirements for designation of COLP/COFA?



# Compliance Officers



- The COLP must ...
  - be a lawyer and authorised in one or more reserved legal activities
  - be a manager or employee of the firm
  - be designated by a firm and approved by SRA
  - take all reasonable steps to ensure compliance with terms and conditions of authorisation (except SRA Accounts Rules) and relevant statutory obligations
  - report to SRA any failures to comply
- The COFA ...
  - does NOT need to be a lawyer
  - takes reasonable steps to ensure compliance against the SRA Accounts Rules



# Approval of Compliance Officers

*“The right person in the right role”*

Seniority and responsibility

Suitability and vetting





## Approval of Compliance Officers

- Suitability/vetting and seniority assessment
- Internal governance arrangements
- All new ABS applications
- All RB applications from 28 February 2012
- All existing firms must designate by 31 March 2012
  - Detailed communications programme
  - Applications online
  - Positions effective from October 2012

**Firms MUST be thinking about this now!**



# Preparation for approval

For all firms:

- Who will the candidate report to?
- Will the compliance officer(s) role be a full time role?
- What % of candidate's time will be dedicated to the role?
- Will the candidate have sufficient resources and authority to effectively fulfil the role?



# Preparation for approval

For larger firms:

- What is the firm's governance structure?
- Is there a Risk Committee?
  - Who are the standing members?
  - Who reports to the Committee?
  - What are the Committee's terms of reference?
- How does the firm prioritise its risks?



# Suitability Test

Introduced with ABS approval

*We must ensure that any individual admitted as a solicitor has, and maintains, the level of honesty, integrity and the professionalism expected by the public and other stakeholders and professionals and does not pose a risk to the public or profession*

**Handbook (Overview, SRA Suitability Test [2011])**

- Will apply to ALL compliance officer candidates
- More detailed questions in applications
- Specific guidance on our approach to the test



# Vetting

- What is “vetting”?
  - Methods of verifying information
  - Background checking
- Ability to search international data
  - Vital for ABS applications
- New tools being piloted
- Outcomes will help to verify aspects of the Suitability questions.
- Where outcomes inform decisions, these will be disclosed.



## A note to sole practitioners...

- You may choose to designate yourself for the compliance officer roles.
- Think about how you currently achieve compliance.
- Remember—you will need to go through the full Compliance Officer approval process.



In the light of this information, do you feel that your firm can effectively implement the COLP/COFA requirements?



# Supervision and Compliance Officers

- Communications between the SRA and Compliance Officers
- Examples of proposed COLP/COFA arrangements





## What steps should you take now?

- Familiarise yourself with the SRA Handbook.
- Review current risk management and compliance arrangements.
- Consider who you may wish to designate as your compliance officer(s).
- Consider that individual in light of the published Suitability Test.



# Timelines



Firm Type	Action
<b>ABS</b>	From <b>August 2011</b> , can seek authorisation and during which licensable bodies will nominate a COLP and COFA
<b>Existing Legal Disciplinary Practices (with NLM)</b>	If wishing to passport early COLP and COFA nominations can be submitted from <b>August 2011</b>  If you do not elect early, you will need to nominate your COLP/COFA by <b>31 March 2012</b> .
<b>Existing Recognised Body or Sole Practitioner</b>	Firms must provide details of their prospective COLP and COFA by 31 March 2012 (together with details of owners) in order that their designation can be approved. Compliance Officer roles to be effective from <b>31 October 2012</b>
<b>New Recognised body or Sole Practitioner</b>	From 28 February 2012, new applications will need to include COLP/COFA nominations – need to be submitted with the applications in readiness for <b>31 October 2012</b> .



## Useful links

- OFR at a glance – [www.sra.org.uk/quickguide](http://www.sra.org.uk/quickguide)
- SRA online Handbook – [www.sra.org.uk/handbook](http://www.sra.org.uk/handbook)
- More webinars – [www.sra.org.uk/webinars](http://www.sra.org.uk/webinars)