

Draft SRA Authorisation of Firms Rules

Introduction

These provisions set out the SRA's arrangements for the authorisation of firms. This includes recognised bodies, licensed bodies and recognised sole practices.

The rules set out our authorisation and application requirements, the effect of authorisation by the SRA on the legal activities such bodies may provide, and how and when we may restrict or limit a firm's authorisation or bring it to an end.

If you are unsure whether you are eligible for authorisation, or need to be authorised, please see our guidance [\[link\]](#).

Part 1: Eligibility

1.1 You will be eligible to apply for authorisation:

- (a) as a **licensed body**, if you are a **licensable body** and have at least one **manager** that is an **authorised person** (other than a **licensed body**);
- (b) as a **recognised body**, if you are a **legal services body** in which all of the **managers** and **interest holders** are **legally qualified**;
- (c) as a **recognised sole practice**, if you are a **solicitor** or **REL** who is the sole principal in a practice;

and you intend to deliver legal services, or (if you fall within (b)) the **SRA** is satisfied that it is in the public interest for you to be eligible to apply for authorisation notwithstanding that you do not intend to deliver legal services.

1.2 The eligibility requirements in rule 1.1 are subject to the transitional arrangements set out in annex 1.

1.3 If you are a **solicitor** or **REL** you will not need to be authorised as a **recognised sole practice** in order to act as the sole principal in a practice if your practice consists entirely of carrying on activities which are not **reserved legal activities** and you choose for your **practice** not to be authorised as a **recognised sole practice**.

1.4 An **authorised body** must:

- (a) if you are a **company**:
 - (i) be incorporated and registered in England and Wales, Scotland or Northern Ireland under Parts 1 and 2 of the Companies Act 2006;

- (ii) be incorporated in an *Establishment Directive State* and registered as an overseas company under Part 34 of the Companies Act 2006; or
 - (iii) be incorporated and registered in an *Establishment Directive State* as a *societas Europaea*; and
- (b) have at least one practising address in the *UK* or, if you are a *licensed body*, in England or Wales.

Part 2: Determination of authorisation applications, duration and validity

Authorisation decision

- 2.1 The *SRA* may grant an application for authorisation in relation to one or more *reserved legal activity*.
- 2.2 The *SRA* will refuse an application for authorisation if it is not satisfied that, if authorisation is granted:
- (a) the applicant's *managers, interest holders* or management and governance arrangements are suitable to operate or control a business providing regulated legal services;
 - (b) the applicant will comply with the *SRA's* requirements and *regulatory arrangements*;
- or, if the *SRA* considers that it would be otherwise against the public interest or incompatible with the *regulatory objectives* to grant the application.
- 2.3 In reaching a decision on the application, the *SRA* may take into account any *person* that the applicant, *manager, employee* or *interest holder* is related to, affiliated with, or acts together with that it has reason to believe may have an influence over the way in which the applicant, *manager, employee* or *interest holder* will exercise their role.

Conditions

- 3.1 The *SRA* may at any time, whether on grant of an application for authorisation or otherwise, impose such conditions on a body's authorisation (whether indefinite or for a specified period), where it considers it appropriate in the public interest to do so and in accordance with rule 3.2.
- 3.2 If the *SRA* is satisfied that the *authorised body*, or a *manager, compliance officer, employee, owner* or *interest holder* of the *authorised body*:

- (a) is unsuitable to undertake certain activities or engage in certain business or practising arrangements;
- (b) is putting or is likely to put at risk the interests of *clients*, third parties or the public;
- (c) will not comply with our regulatory arrangements or require monitoring of compliance with the *SRA's regulatory arrangements*; or
- (d) should take specified steps conducive to the *regulatory objectives*,

the *SRA* may impose conditions which may:

- (i) specify certain requirements that must be met or steps that must be taken,
- (ii) restrict the carrying on of particular activities or holding of particular roles, or
- (iii) prohibit the taking of specified steps without its approval.

Duration of authorisation

4.1 A body's authorisation takes effect from the date the certificate of authorisation is issued to it by the *SRA*.

4.2 A body's authorisation shall cease to have effect:

- (a) subject to Part 5, if the body ceases to exist; or
- (b) if the body is a *licensed body*, and is issued with a licence by another *approved regulator*.

4.3 The *SRA* may revoke or suspend a body's authorisation, if:

- (a) it is satisfied that the authorisation was granted as a result of error, misleading or inaccurate information, or fraud;
- (b) the body is or becomes ineligible to be authorised, or the grounds for refusal of an application under rule 2.2 are met;
- (c) the body has failed to provide any information the *SRA* has reasonably requested;
- (d) the body has failed to pay any *prescribed* fee to the *SRA*;

- (e) the body makes an application to the **SRA** for its authorisation to be revoked, but the **SRA** may refuse the application if the applicant is subject to any proceedings, investigation or consideration of their conduct or practice by the **SRA** or the **Tribunal**;
- (f) the body has failed to comply with any obligations under the **SRA's regulatory arrangements**;
- (g) the body, or an **owner, interest holder, manager** or **employee** of the body fails to comply with any duty imposed on them by sections 90 or 176 of the **LSA**;
- (h) a **relevant insolvency event** has occurred in relation to the body, or the sole principal is made the subject of bankruptcy proceedings or makes a proposal for an individual voluntary arrangement;
- (i) the **SRA** has decided to exercise its powers of **intervention** in relation to the body or a **solicitor's** practice within the body; or
- (j) for any other reason, it considers it to be in the public interest to do so.

4.4 In the case of a **licensed body**, the **SRA** may revoke or suspend the body's authorisation:

- (a) as a result of a **person** who holds an **interest** in the **licensed body** taking a step in circumstances where that constitutes an offence under paragraph 24(1) of Schedule 13 to the **LSA** (whether or not the **person** is charged with or convicted of an offence under that paragraph);
- (b) where such a **person** is in breach of conditions imposed under paragraphs 17, 28 or 33 of that Schedule; or
- (c) where a **person's** holding of an **interest** in the **licensed body** is subject to an objection by the **SRA** under paragraph 31 or 36 of that Schedule.

4.5 The **SRA** must not revoke or suspend a body's authorisation other than under 4.3(e) unless it has first given the body no less than 28 days' notice of its intention to revoke or suspend the authorisation, inviting representations regarding the issues giving rise to the proposed revocation or suspension.

Part 3: Effect of authorisation and conditions of practice

Effect of authorisation

5.1 If you are a **recognised body** or a **recognised sole practice** authorised by the **SRA** you are entitled to carry on:

- (a) all *reserved legal activities* except notarial activities; and
 - (b) *immigration work*.
- 5.2 If you are a *licensed body* you are entitled to carry on the activities set out in rule 5.1, as may be specified in your *licence*.
- 5.3 An *authorised body* may only carry on a *reserved legal activity* through a *person* who is entitled to do so.

General conditions of practice

Restrictions on services provided by a recognised body or recognised sole practice

- 6.1 If you are a *recognised body* or *recognised sole practice*, your business may consist only of the provision of:
- (a) professional services of the sort provided by individuals *practising* as *solicitors* and/or *lawyers* of other jurisdictions; and
 - (b) the services set out in annex 2 (whether or not they are also included in paragraph (a)),

and if you have a notary public as a *manager* or *employee*, then professional services of the sort provided by notaries public.

Payment of periodical fees

- 7.1 Every *authorised body* must pay to the *SRA* a periodical fee in the amount, and by the date *prescribed*.

Compliance officers

- 8.1 An *authorised body* must at all times have an individual who is designated as its *COLP* and an individual who is designated as its *COFA*, and whose designations the *SRA* has approved.
- 8.2 Subject to rule 8.3, an individual who is designated under rule 8.1 must:
- (a) be a *manager* or *employee* of the *authorised body*;
 - (b) consent to the designation;
 - (c) not be disqualified from acting as a *HOLP* or *HOFA* under section 99 *LSA*;
 - (d) in the case of a *COLP*, be an individual who is authorised to carry on *reserved legal activities* by an *approved regulator*.

- 8.3 An **authorised body** is not required to comply with rule 8.2(a) where an individual who is designated under rule 8.1:
- (a) is currently approved by the **SRA** as a **compliance officer** for an **authorised body** with a **manager** or **owner** in common with the body; and
 - (b) is a **manager** or **employee** of that related **authorised body**.

Management and control

- 9.1 Subject to rules 9.2 and 9.3, an **authorised body** must ensure that the **SRA** has approved any **manager** or **owner** of the **authorised body** under Part 4.
- 9.2 A sole principal whose practice has been authorised as a **recognised sole practice** is not required to be approved separately as a **manager** of that practice.
- 9.3 If the **SRA** is satisfied that a **manager** of an **authorised body** is not involved in any of the following:
- (a) the day to day or strategic management of the **authorised body**;
 - (b) compliance by the **authorised body** with the **SRA's regulatory arrangements**; or
 - (c) the carrying on of **reserved legal activities**, or the provision of legal services in England and Wales,

the **SRA** may decide that the **authorised body** is not required to comply with rule 9.1 in respect of that **manager**.

Restrictions on employment and remuneration of certain individuals

- 10.1 An **authorised body** must not employ or remunerate, or permit to be a **manager**, **owner** or **interest holder** of the body, a person:
- (a) who is subject to an order under section 43 of the **SA**, without the **SRA's** written permission;
 - (a) whose name has been struck off the roll, or who is suspended from practising as a **solicitor**, without the **SRA's** written permission;
 - (b) in respect of whom there is a direction in force under section 47(2)(g) of the **SA**, without the **SRA's** written permission;
 - (c) who has been disqualified from the relevant role.

Information return and notification events

- 11.1 An **authorised body** must complete and deliver to the **SRA** an annual return by the date and in the form **prescribed**.

Modification of terms and conditions

- 12.1 The **SRA** may at any time, extend, revoke or vary any terms or conditions on a body's authorisation, imposed in accordance with rule 3 or otherwise, either on the application of the **authorised body** or on the **SRA's** own initiative.

Part 4: Approval of role holders

- 13.1 Subject to rules 13.2 to 13.4, the **SRA** may approve a **person's** designation as a **COLP** or **COFA** or to be a **manager** or **owner** of an **authorised body** if it is satisfied that the individual is a fit and proper person to undertake the role, in accordance with the SRA Assessment of Character and Suitability Rules.

- 13.2 The **SRA** will deem a **person** to be fit and proper to be a **manager** or **owner** of an **authorised body** if the **person** is:

- (a) a **solicitor**, **REL**, **RFL** or **authorised body**; or
- (b) a **person** who is authorised to carry on **reserved legal activities** and has previously been approved by the **SRA** under rule 13.1,

and who is not subject to a regulatory or disciplinary investigation, or adverse finding or decision of the **SRA**, the **Tribunal** or another regulatory body.

- 13.3 A **person** who meets the conditions under rule 13.2, shall be deemed to be approved to be designated as a **manager** or **owner** of any **authorised body**.

- 13.4 An **authorised body** must notify the **SRA** promptly in the **prescribed** form of the designation as a **manager** or **owner** of that body of a **person** who has been deemed to be approved under rule 13.3.

- 13.5 The **SRA** will deem an individual to be fit and proper to be a **compliance officer** of an **authorised body** if:

- (a) that individual is a **lawyer** and a **manager** of the **authorised body**;
- (b) the **authorised body** has an annual turnover of no more than £600,000;
- (c) they are not a **compliance officer** of any other **authorised body**; and
- (d) they are not subject to a regulatory or disciplinary investigation, or adverse finding or decision of the **SRA**, the **Tribunal** or another regulatory body.

- 13.6 An **authorised body** must notify the **SRA** promptly of the identity of a **compliance officer** whose fitness and propriety has been deemed under rule 13.5 in the **prescribed** form, and the **SRA** shall approve their designation to undertake the role in that body accordingly.
- 13.7 Approval of a **person's** designation under rule 13.1 or 13.6:
- (a) takes effect from the date of the decision unless otherwise stated;
 - (b) remains effective only if the **person** takes up the designated role within the period specified in the notice of approval, or the period of one year if no period is specified; and
 - (c) expires when the **person** ceases to carry out the designated role.
- 13.8 The **SRA** may at any time, on granting approval for the designation of a **person** under this Part, or otherwise, approve the holding of a **material interest** in a **licensed body** subject to conditions in accordance with paragraphs 17, 28 or 33 of Schedule 13 to the **LSA**.
- 13.9 The **SRA** may at any time withdraw approval of a **person's** designation under rule 13.1, 13.3 or 13.5 if it is not satisfied that the **person** is a fit and proper **person** to undertake the designated role.
- 13.10 A **person** whose designation has been approved under rule 13.1, 13.3 or 13.6, must notify the **SRA** promptly of any information in relation to them which would be relevant to an assessment of their fitness and propriety under the SRA Assessment of Character and Suitability Rules, and may be required to provide a self declaration of their fitness and propriety on request by the **SRA**.
- 13.11 Where the **SRA** withdraws approval for the designation of a **person** who is the **director** of a **company**, the **SRA** may set separate dates for the individual ceasing to be a **director** and disposing of their shares.

Part 5: Succession, loss of eligibility and temporary emergency authorisation

- 14.1 If the last remaining legally qualified **manager** of an **authorised body** whose role ensures the body's compliance with the eligibility requirements for its authorisation under rule 1:
- (a) is sentenced to imprisonment;
 - (b) becomes unable to carry on their role because of incapacity;
 - (c) abandons the business;

- (d) is made subject to a restriction, condition or other regulatory decision by the **SRA** or another regulatory body which would prevent or restrict them acting as a **manager**,

the body must inform the **SRA** within seven days of becoming aware of the relevant event and, within 28 days of becoming aware of the event, must either become eligible for authorisation (without reference to the **manager** in question), or cease to carry on **reserved legal activities** and to hold themselves out as an **authorised body**.

14.2 Subject to any **prescribed** application requirements, the **SRA** may:

- (a) transfer a body's authorisation to another body where the first body ceases to exist and the second body succeeds to the whole or substantially the whole of its business;
- (b) substitute a body's authorisation for another type of authorisation where it is satisfied that the body is materially carrying on the same practice, notwithstanding a change in its management or control; and
- (c) permit any **person** previously approved as a **manager**, **owner** or **compliance officer** of the body to continue to act in their designated role, notwithstanding the transfer or substitution.

Temporary emergency authorisation or approval

15.1 An application for temporary emergency authorisation may be made:

- (a) within seven days of any change in the management or control of an authorised body which brings into being a new unauthorised body or practice;
- (b) within 28 days of the death or incapacity of a **sole practitioner** by a **solicitor** or **REL** who is:
 - (i) the **sole practitioner's** executor, personal representative, attorney under a lasting power of attorney, or Court of Protection deputy (as appropriate),
 - (ii) a practice manager appointed by the **sole practitioner's** executor, personal representative, attorney under a lasting power of attorney, or Court of Protection deputy (as appropriate), or
 - (iii) an **employee** of the practice.

15.2 An application for temporary emergency approval of a **compliance officer** may be made within seven days of an **authorised body** ceasing to have a **COLP** or **COFA** whose designation is approved under Part 4.

- 15.3 The **SRA** will only grant an application under rule 15.1(a) or 15.2 if it is satisfied that:
- (a) the body or its **managers** could not reasonably have commenced a substantive application for authorisation under Part 2 in advance of the events giving rise to the application;
 - (b) in relation to an application under rule 15.1(a) the body meets the eligibility requirements under rule 1.1 and will comply with our regulatory arrangements as they apply to **authorised bodies**;
 - (c) in relation to an application under rule 15.2, it has no reason to believe that the individual to which the application relates is not fit and proper to be a compliance officer of the **authorised body**.

15.4 Temporary emergency authorisation or approval:

- (a) shall be granted for an initial period of 28 days from the date specified;
- (b) may be extended for such period as the **SRA** thinks fit;
- (c) shall be extended, if a substantive application for authorisation or approval is made during the period of temporary emergency authorisation or approval, pending determination of the substantive application,
- (d) may be revoked or withdrawn, or made subject to such conditions as the **SRA** considers appropriate, in the public interest.

save that, if the **SRA** grants temporary emergency authorisation under rule 15.1(b), the authorisation will be deemed to run from the date of death or incapacity and will cease to have effect on the earliest of the date of the winding up of the estate or 12 months from the date of death or incapacity.

Apportionment of periodical fees on succession

16.1 An **authorised body** which:

- (a) has taken over the whole or a part of one or more **authorised bodies**; or
- (b) has split or ceded part of its practice to another **authorised body** and wishes the **SRA** to take this into account in determining its periodical fee;

must within 28 days of the change taking place deliver to the **SRA** a notice in the **prescribed** form.

Supplemental notes

Made by the SRA Board on [date]

Made under sections 31, 79 and 80 of the Solicitors Act 1974, sections 9 and 9A of the Administration of Justice Act 1985, section 83 and Schedule 11 to the Legal Services Act 2007

Approved by the Legal Services Board under paragraph 19 of Schedule 4 to the Legal Services Act 2007, on [date]

Commencing on [date] and replacing the SRA Authorisation Rules 2011 and the SRA Practice Framework Rules 2011.

Annex 1: Transitional arrangements under paragraph 7(3) of Schedule 5 LSA

- 1 A *licensable body* will be eligible to be a *recognised body* if as at 6 October 2011, it has been recognised by the *SRA* under section 9 *AJA* but has an *interest holder* or *manager* that is not a *lawyer* or a legally qualified body. It shall continue to be treated as a *recognised body* for the purposes of these rules and the *SRA's regulatory arrangements* until:
- (a) such time as it ceases to comply with the management and control requirements set out in 2 below; or
 - (a) the end of the transitional period under Part 2 of Schedule 5 to the *LSA*, or such earlier time as the body may elect,
- at which time it must apply for authorisation as a *licensed body*.
- 2 The management and control requirements are:
- (a) At least 75% of the body's *managers* must be:
 - (i) individuals who are, and are entitled to practise as, *lawyers of England and Wales, lawyers of Establishment Directive professions or RFLs*; or
 - (ii) *bodies corporate* which are legally qualified bodies;although a legally qualified body cannot be a *director* of a body which is a *company*;
 - (b) Individuals who are, and are entitled to practise as, *lawyers of England and Wales, lawyers of Establishment Directive professions or RFLs* must make up at least 75% of the ultimate beneficial ownership of the body; and
 - (c) Individuals who are, and are entitled to practise as, *lawyers of England and Wales, lawyers of Establishment Directive professions or RFLs*, and/or legally qualified bodies, must:
 - (i) exercise or control the exercise of at least 75% of the *voting rights* in the body; and
 - (ii) if the body is a *company* with shares, hold (as registered *members* of the *company*) at least 75% of the shares.
 - (d) Every *interest holder* of the *recognised body*, and every *person* who exercises or controls the exercise of any *voting rights* in the body, must be:
 - (i) an individual who is, and is entitled to practise as, a *lawyer of England and Wales, a lawyer of an Establishment Directive profession or an RFL*;
 - (ii) a legally qualified body; or

- (iii) an individual who is approved by the **SRA**, and is a **manager** of the body.
- (e) An individual who is not entitled under paragraph 2(d)(i) may be an **interest holder** of a **recognised body** without being a **manager** of the body if:
- (i) the **recognised body** is a **company** which is wholly or partly owned by a **partnership** or **LLP** which is a legally qualified body;
 - (ii) the individual is approved by the **SRA** and is a **manager** of the **partnership** or **LLP**; and
 - (iii) the individual is precluded under the **partnership** agreement or **members'** agreement from exercising or authorising any vote in relation to the **company**.

For the purposes of this annex, "legally qualified body" means a body which is:

- (A) a **recognised body**;
- (B) an **authorised non-SRA firm** of which individuals who are, and are entitled to practise as, **lawyers of England and Wales**, **lawyers of Establishment Directive professions** or **RFLs** make up at least 75% of the ultimate beneficial ownership; or
- (C) a European corporate practice which is a **lawyers'** practice and is a body incorporated in an **Establishment Directive state**, or a **partnership** with separate legal identity formed under the law of an **Establishment Directive state**:
 - (I) which has an office in an **Establishment Directive state** but does not have an office in England and Wales;
 - (II) whose ultimate beneficial owners include at least one individual who is not a **lawyer of England and Wales** but is, and is entitled to practise as, a **lawyer** of an **Establishment Directive profession**;
 - (III) whose **managers** include at least one such individual, or at least one body corporate whose **managers** include at least one such individual;
 - (IV) 75% of whose ultimate beneficial ownership is in the hands of individuals who are, and are entitled to practise as, **lawyers of Establishment Directive professions**, **lawyers of England and Wales**, and/or **RFLs**; and

- (V) 75% of whose *managers* comprise such individuals, and/or bodies corporate 75% of whose *managers* comprise such individuals.

Annex 2: Professional services that may be carried out by recognised bodies and recognised sole practices

- 1 Alternative dispute resolution
- 2 Financial services
- 3 Estate agency
- 4 Management consultancy
- 5 Company secretarial services
- 6 Other professional and specialist business support services including human resources, recruitment, systems support, outsourcing, transcription and translating
- 7 Acting as a parliamentary agent
- 8 Practising as a lawyer of another jurisdiction
- 9 Acting as a bailiff
- 10 Accountancy services,
- 11 Education and training activities, and
- 12 Authorship, journalism and publishing.