Review of SRA Regulatory Management

Survey findings report

March 2014

Contents

Executive Summary

The Solicitors Regulation Authority (SRA) takes a risk-based approach to regulation. We use risk profiles for all firms we regulate to understand the level of risk they present to the regulatory objectives[1]. We treat risk as a combination of:

- Probability - the likelihood of a negative impact occurring
- Impact - the potential size of the negative impact.

Our risk profiles rate and rank each firm we regulate on these two factors. A key part of our supervision approach focuses on assessing and mitigating the regulatory risks created by 'high impact' firms[2].

This report examines the impacts of our supervision approach to high impact firms, otherwise referred to as Regulatory Management (RM). The aim is to identify the impacts to date of RM on the regulated community and to set a baseline from which future impacts can be measured.

The research is based on an online survey of firms in RM. Invitations to participate in the survey were sent to a sample of 120 firms[3] in RM in August 2013. These firms had either been in RM for 6 months or had at least three engagement visits (whichever was longest). 59 responses were received resulting in a response rate of 49.2 percent.

Key findings from the survey are presented below.

Profile of respondents

- The survey included firms from all regions in England and Wales. Just over one in five firms (22.4 percent) had between 41 to 60 partners, while two in five respondent firms had between one and 40 partners (36.2 percent). At the other end of the scale, 5 respondent firms (8.6 percent) had more than 201 partners

[1] Legal Services Act 2007, HM Government
http://www.legislation.gov.uk/ukpga/2007/29/contents

[2] Regulated firms are allocated an ‘impact score’, which is calculated using a number of criteria. Larger impact scores indicate that if something went wrong at a firm, it has the potential to make a greater detrimental impact on the regulatory objectives. Impact scores are independent of ‘probability scores’, which relate to the likelihood that a negative impact will occur. This means that, taken alone, a high impact score does not mean that a firm is viewed as presenting a higher overall level of risk.

[3] Ten other firms within this criteria were not invited to take part in the survey as we were in direct engagement with these firms about sensitive current issues. It was felt that it would have been unsuitable to survey these firms at that point in time

- In terms of turnover, 28.6 percent of respondent firms had a turnover of between £21m and £40m, with a further 28.6 percent having a turnover of between £41m and £100m. 7.1 percent had a turnover in excess of £200m

Interaction with Regulatory Management and the SRA

- More than three in four firms that responded to the survey (76.3 percent) have had a dedicated Regulatory Manager for more than a year, with almost two in five having engaged with a Regulatory Manager for over 18 months. The remaining 23.7 percent of firms that responded to the survey reported to have had a Regulatory Manager for less than 12 months

- For just under three in ten cases, RM engagement has comprised three meetings, in addition to regular engagement via written and telephone correspondence. Approximately one in five firms have had more than five meetings with the SRA's Regulatory Managers. The number of meetings with each firm is by no means uniform and will depend heavily on the risk profile of the firm, whether the firm is an initial or advanced stage of engagement, the type of work carried out by the firm, its client profile and any particular risk areas. For example, financial stability has been identified as a current risk to consumers, firms and the regulatory objectives of the SRA. Both RM and the supervision of low and medium impact firms have been providing more intensive engagement with firms already in, or at risk of, financial difficulty, which has included more regular firm meetings and investigatory visits

Working relationship with Regulatory Managers

- 89.8 percent of respondents either agreed or strongly agreed that their firm has a constructive working relationship with the Regulatory Managers of the SRA. Reasons to support this view were provided by these respondents and included:
  - establishment of a direct line of communication between representatives from the firm and the SRA
  - Regulatory Managers having a more detailed and informed understanding of firm structures and internal management systems
  - the transparency of shared information between the firm and the Regulatory Managers
  - the provision of more tailored information

- Only 5 percent of firms either disagreed or strongly disagreed that they do not have a constructive working relationship with the Regulatory Managers of the SRA (the remaining 5.1 percent 'neither agreed or disagreed'). Reasons for this view included:

- the increased burden of dealing more frequently with the SRA
- limited input from the SRA on how firms can improve the business[4].

Working relationship with the SRA as a whole

- Over two thirds of firms that responded to the survey (67 percent) stated that their relationship with the SRA has become more constructive over the past 12 months. It is noteworthy that 94.8 percent of these firms 'strongly agreed' or 'agreed' that their interaction with the SRA's RM team contributed to this change

Complying with regulation

Costs associated with OFR

- A significant proportion of firms stated that compliance with Outcomes-focused Regulation (OFR) does not cost too much money or time. Only 21 percent of respondents ‘agreed’ or ‘strongly agreed’ that complying with OFR costs too much money. 22 percent of respondents ‘agreed’ or ‘strongly agreed’ that complying with OFR takes too much time

- 84.7 percent of respondents stated that, other than nominating a COLP and COFA, their firms have made changes to the way they comply with SRA regulation as a result of OFR. Only 15.3 percent of respondents are continuing to approach compliance in the same way, with the exception of nominating their COLP or COFA. The main changes reported by firms were creating and implementing new policies, providing staff with information on the requirements of OFR and providing staff training

Costs associated with RM

- 59.5 percent of respondents reported that having a dedicated Regulatory Manager has allowed their firm to comply with regulation more effectively

- A significant proportion of respondents (47.5 percent) reported that they require more time to comply with the SRA’s regulatory arrangements as a result of being identified as high impact and having a Regulatory Manager. The main reasons put forward for this increase in time were:
    - **Preparing for and holding meetings** - both resource intensive and require the compilation of various pieces of information and evidence
    - **Compliance requirements** - a number of respondents stated that increased responsibilities relating to supply of information necessitated the recruitment of Compliance Officers for Legal Practice (COLPs) and Compliance Officers for Finance and Administration (COFAs). Existing

[4] It is important to note here that it is not the role of the SRA to provide firms with recommendations on how to improve their businesses. Doing so would place the SRA in a challenging position. It would also distract the Regulatory Managers from their key responsibility of ensuring that risks to the public interest are being managed effectively

staff in larger firms could not dedicate sufficient time to SRA requirements and information requests

Firm's views on any unnecessary regulatory requirements

- 86.5 percent of respondents 'strongly agreed' or 'agreed' with the following statement - *"Even if you were not required to do so by the SRA, your firm would continue what it currently does to comply simply in order to run your firm well and look after your clients interests"*. Only 5.1 percent of respondents 'disagreed' or 'strongly disagreed' with this statement and 8.4 percent gave a neutral response. This indicates that the vast majority of respondents accept that what they do to comply is directly related to the good management of their business and the need to look after their clients interests.

Approach to risk management

- 84.7 percent of respondents have made internal and infrastructural changes to risk management as a result of the introduction of OFR. Examples of such changes can be grouped under two main headings:

  Improvement in internal processes:

  - the introduction of more effective data collection and analysis
  - the implementation of improved audit trails and recording of information
  - the introduction of risk management structures, including detailed risk registers

  Firm structure and staff changes:

  - larger firms that responded to the survey have recruited additional staff to address the compliance issues arising from day-to-day firm activities. In particular, they have appointed Risk Managers, responsible for implementing firm-wide procedures

- When asked to consider the influence of RM on changes to internal management of risk, there was a mixed response. Almost half of the respondents (49 percent) stated that changes to risk management had 'partly been due to the new form of supervision and engagement activity'. This contrasted with one in three respondents who stated that changes were 'not due to the new form of Supervision'

- According to respondents the introduction of RM has enabled the SRA to identify and better understand the risks associated with particular firms. This has been facilitated through more regular interaction between firm representatives and the SRA. Firms were asked to rate, on a scale of one to five (where one is 'strongly disagree' and five is 'strongly agree'), whether they felt that the SRA is better placed to understand the risks associated with their firm as a result of their interaction with the SRA's Regulatory Managers. The average rating was 4.24, highlighting the increased effectiveness of RM in risk management.

Next steps

The findings presented in this report have established a baseline for future survey work. By repeating the survey in 2016[5] and, by using the results of this firm survey as a baseline, we would be able to determine if there are any changes in views of regulated firms. We will use the findings of the 2016 survey to measure our impact and make operational and performance improvements.

We will also continue to embed and develop our approach to regulating high impact firms, taking into account the feedback provided through the surveys. We will increase communication with a newsletter to the RM community and develop a bespoke approach to regulating the larger and city firms based on our greater understanding of the risks posed to our regulatory objectives posed by different cohorts of firms.

[5] To allow sufficient time for RM to embed

1. Introduction

This report examines the impacts of Regulatory Management (RM) – the SRA's supervision approach to high impact firms. The overall aim of this research is to identify the impacts to date of RM (and OFR) on the regulated community, to understand the ways that RM is supporting the SRA to work towards the regulatory objectives, and to set a baseline from which future impacts can be measured.

The research is based on an online survey of high impact firms in RM. Invitations to participate in the survey were sent to a sample of 120 firms in RM in August 2013. These firms had either been in RM for 6 months or had at least three engagement visits (whichever was longest). 59 responses were received resulting in a response rate of 49.2 percent.

What is Regulatory Management?

We determine the level of risk presented by a firm based on the 'probability' and 'impact' scores.

Figure 1.1: Calculation of 'risk score'

All regulated firms are allocated an 'impact score', which is calculated using a range of criteria[6]. Higher impact scores indicate that if something went wrong at a firm, it has the potential to make a greater detrimental impact on the regulatory objectives. Impact scores are independent of 'probability scores', which relate to the likelihood that a negative impact will occur. This means that, taken alone, a high impact score does not mean that a firm is viewed as presenting a higher overall level of risk.

RM was established in September 2010 as part of the SRA's new approach to the supervision of firms. It aims to assess and mitigate the regulatory risks created by high impact firms. The RM approach aims to:

- allow us to understand and manage the risks associated with high impact firms
- help firms improve standards, reduce risk for consumers and enhance the reputation of legal service providers by focusing on the outcomes achieved rather than on the processes used to deliver them.

The RM approach can be divided into three distinct stages:

- **allocation**: calculation of impact scores for firms regulated by the SRA and the allocation of high impact firms to Regulatory Managers

[6] Including turnover and number of fee earners

- **pre-engagement**: background research and profiling of allocated firms by Regulatory Managers. Initial risk assessments are carried out and decisions are made on the type of engagement required
- **engagement**: contact and visits to the firm by Regulatory Managers. The nature and frequency of the visits depend upon the risks facing the high impact firms. After the initial meetings with firms the Regulatory Managers have a debrief to discuss the outcomes. The nature of subsequent visits (such as financial stability visits, intensive or cyclical engagement) is also determined.

Logic Model

Figure 1.2 sets out the implicit logic behind the RM objectives, activities, inputs, outputs/outcomes and impacts. It sets out the relationship between:

- what we are trying to achieve (objectives of the approach)
- what we are using to achieve the objectives (inputs to the approach)
- what we are doing as part of the approach (activities)
- what we expect to change (outcomes)
- how we expect to change the overall situation (impacts).

Figure 1.2: RM Logic Model

Regulatory Management

Objectives	Inputs	Activities	Outputs	Outcomes	Impacts
Reduce risk to clients and the public interest Improve the ability of the SRA to work towards the regulatory objectives Create constructive, open dialogue between the SRA &and high impact firms Improve ability of SRA to understand complex business models	Human resources - the RM team - team managers and advisors - team leaders - Regulatory Managers Other SRA time inputs – e.g. risk analysis to generate and maintain 'impact scoring'	Allocation of firms to Regulatory Managers Firm profiling Preparation and risk assessment Engagement visits Follow up/type of engagement File write ups/notes	Number of firms engaged Number of visits to firms Number of hours engaged with firms Self reporting to SRA from firms	SRA has an improved understanding of regulatory risks posed by RM firms and how these risks are being managed Firms have an improved understanding of risk-based OFR Improved cost efficiency of firms meeting regulatory requirements	Reduction in regulatory risks brought on by firms Reduced number of regulatory breaches Improved perceptions of legal services sector in England and Wales

Structure of this report

The remainder of this report is structured as follows:

- Section two presents the results of the firm survey
- Section three concludes the report and sets out next steps

A copy of the online survey is provided in Annex one.

2. Firm survey results

We designed and launched an online survey in August 2013 to ascertain the views of high impact firms in RM. We sent out invitations to a sample of 120 firms in RM[7]. This cohort of firms were omitted from the SRA's OFR survey of low and medium impact firms (October 2012)[8], in favour of conducting a stand alone review and survey of this new approach to supervision during August and October 2013.

59 firms responded to the survey: a response rate of 49.2 percent. A breakdown of the responses and key findings are provided in this section of the report[9].

Where relevant, we have included the findings from our OFR survey (2012)[10] of low and medium impact firms to help create an understanding of the views of the legal services market as a whole. It is important to note that the findings of these surveys cannot be used as a means for comparison between the groups as the surveys were carried out at different time periods (and so high impact firms in RM have had longer to understand OFR as this survey was carried out at a later time period than the OFR survey of low and medium impact firms). The different delivery mechanisms, web-based and telephone-based, may also have an impact on the comparability of the findings between the two surveys.

The key differences between the two surveys are presented in Figure 2.1.

Figure 2.1: overview of surveys

	RM survey	***OFR survey***
Target survey population	High impact firms	Low and medium impact firms
Survey method	Online	Telephone
Completed responses	59	1,000
Survey timeframe	August – October 2013	October 2012

[7] These firms had either been in RM for 6 months or had at least three engagement visits (whichever was longest). Ten other firms within this criteria were not invited to take part in the survey as we were in direct engagement with these firms about sensitive current issues. It was felt that it would have been unsuitable to survey these firms at that point in time

[8] See http://www.sra.org.uk/sra/how-we-work/reports.page for full report

[9] A copy of the questionnaire is presented in Annex one

[10] Measuring the impact of OFR on firms - http://www.sra.org.uk/reports/

Profile of respondents

Location and size

The RM survey included firms from all regions of England and Wales. Figure 2.2 shows the location of the respondents head office in comparison to the proportion of firms recorded as being located in each region.

Figure 2.2: location of head office

Region	Number of respondents to survey	percent of respondents to survey	Actual percent of all firms located in region*
London	29	49.2%	28.9%
North West	10	16.9%	12.6%
South West	5	8.5%	7.3%
Yorkshire & Humberside	5	8.5%	7.2%
South East	3	5.1%	5.8%
North East	2	3.4%	7.8%
Wales	2	3.4%	2.9%
East of England	1	1.7%	12.7%
East Midlands	1	1.7%	6.9%
West Midlands	1	1.7%	4.9%

Source: RM Firm Survey. N=59

**SRA Management Information Dataset*

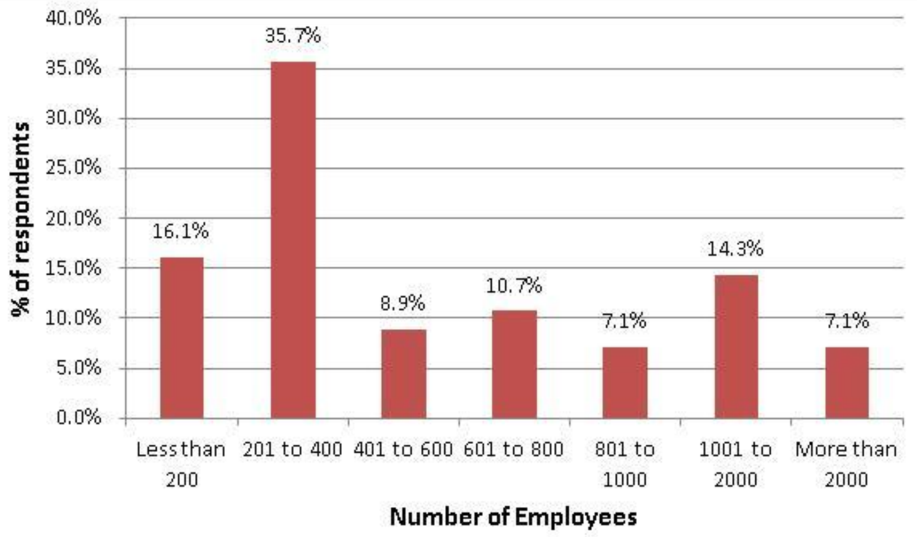
Figure 2.3 shows firm size by number of partners. Just over one in five respondents (22.4 percent) had between 41 to 60 partners, while two in five respondents had between one and 20 partners (19 percent) and 21 and 40 partners (17.2 percent). At the other end of the scale, 8.6 percent of respondents had more than 201 partners. One firm did not provide a response.

Figure 2.3: respondents by size (number of partners)

	No of Respondents	percent of Respondents
1 to 20	11	19.0%
21 to 40	10	17.2%
41 to 60	13	22.4%
61 to 80	4	6.9%
81 to 100	5	8.6%
101 to 120	4	6.9%
121 to 140	0	0.0%
141 to 160	1	1.7%
161 to 180	4	6.9%
181 to 200	1	1.7%
201+	5	8.6%
Total	**58**	**100.0%**
Source: RM Firm Survey. N=58		

Figure 2.4 shows the size of respondent firms by number of employees. Over one third of respondents (35.7 percent) employed between 201 and 400 people, with 16.1 percent employing less than 200. 21.4 percent employed more than 1,000 people, reflecting the large size of many RM firms.

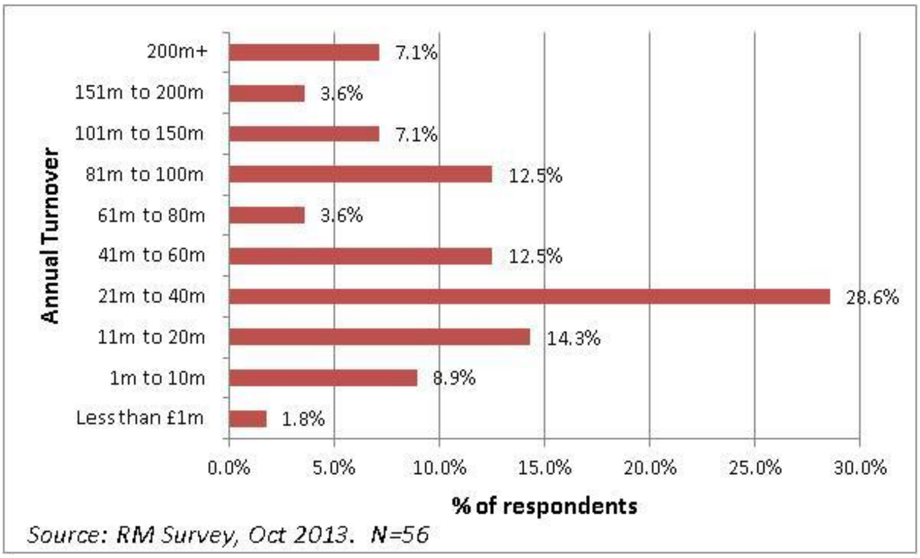
Figure 2.4: size of firm by number of employees



Source : RM Survey , Oct 2013, N=58

Figure 2.5 details the size of RM firms that responded to the survey by turnover. The turnover reflects the size and contribution of RM firms to the legal services market as a whole. 28.6 percent of respondents have a turnover of between £21m to £40m, with a further 28.6 percent having a turnover of between £41m and £100m. 7.1 percent had a turnover in excess of £200m.

Figure 2.5: size of firm by turnover

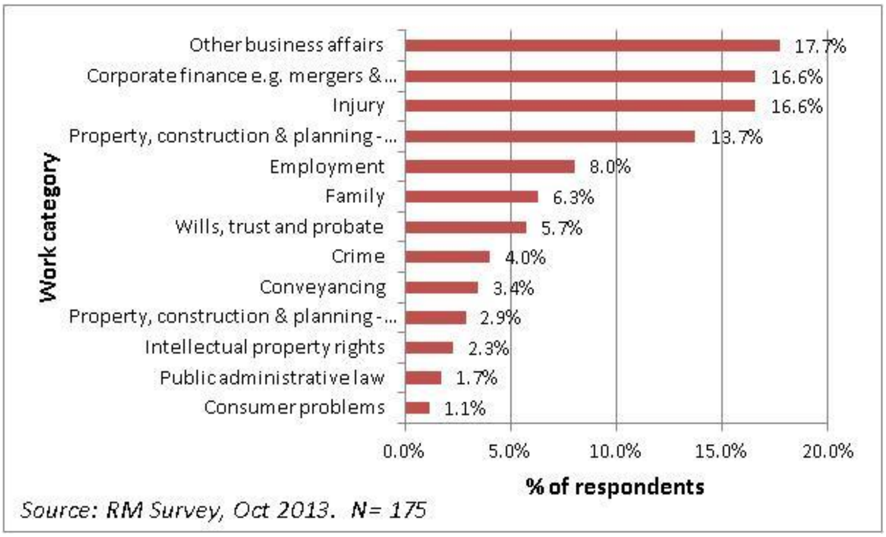


Type of work carried out

Respondents were asked to state the main categories of law they carry out and findings illustrate the diversity of firms that took part in the survey. A full breakdown of responses is presented in Figure 2.6[11] and key features include:

- one in three respondents undertake work for business clients, with 16.6 percent involved with corporate finance, including mergers and acquisitions
- personal injury was the main area of work for one in six respondents
- commercial property, construction and planning was a significant area of work for 13.7 percent.

Figure 2.6: work categories



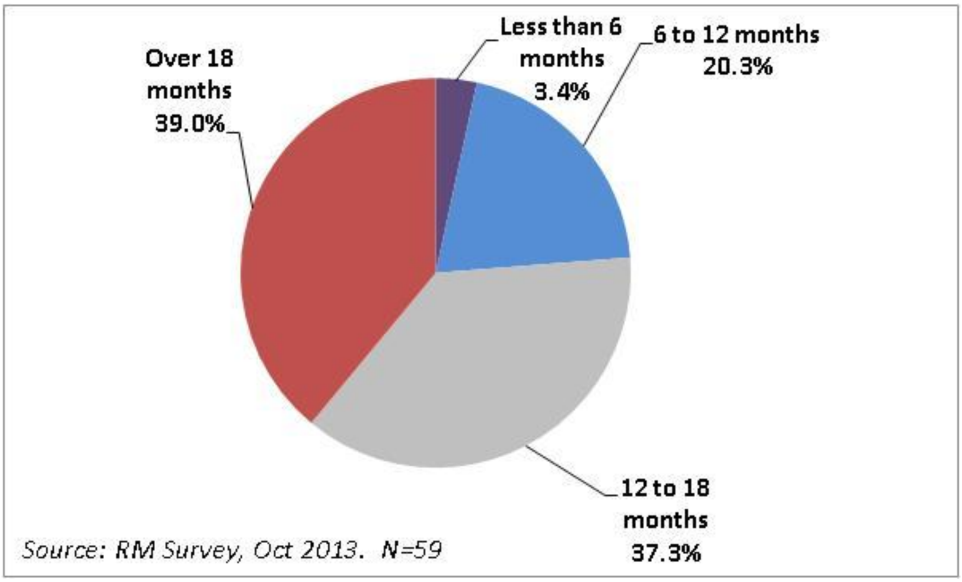
[11] Note N = 175 because respondents were allowed to give multiple answers

Interaction with Regulatory Management and the SRA

Respondents were asked for their views on aspects of their interaction with RM. To begin with, firms were asked to detail the length of time they had engaged with a dedicated Regulatory Manager (Figure 2.7). More than three in four firms (76.3 percent) have had a dedicated Regulatory Manager for more than a year, with almost two in five having engaged with an Regulatory Manager for over 18 months. This leaves approximately one quarter of firms (23.7 percent) that have had a dedicated RM for less than 12 months[12].

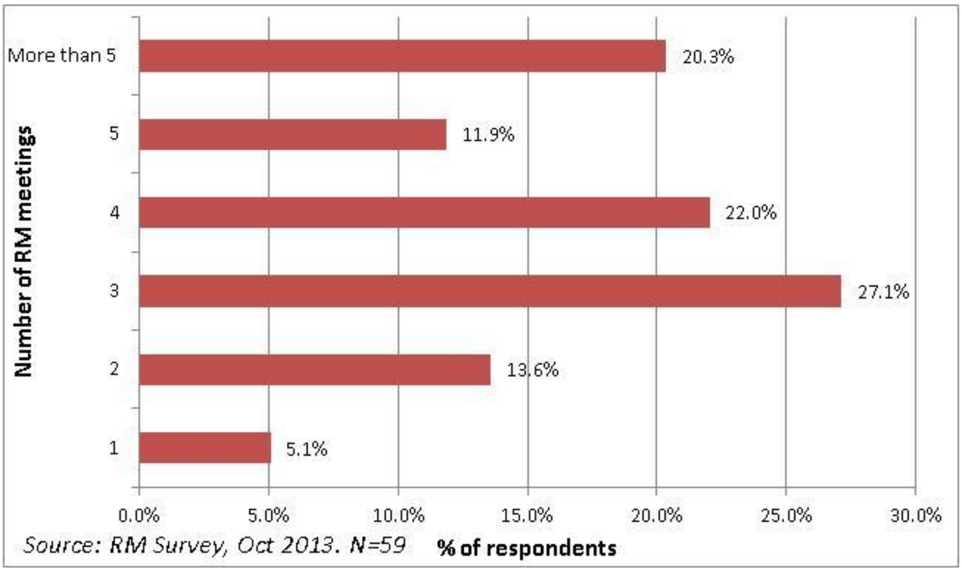
Figure 2.8 illustrates that, for just under three in ten cases, RM engagement has comprised three meetings, in addition to regular engagement through written and telephone correspondence. Approximately one in five firms have had more than five meetings with the SRA's Regulatory Managers. The number of meetings with each firm is by no means uniform and will depend heavily on the risk profile of the firm and the specific issues different firms are facing. For example, financial stability has been identified as a current risk to consumers, firms and the regulatory objectives of the SRA. Both RM and supervision have been providing more intensive engagement with firms already in, or at risk of, entering financial difficulty, which has included more regular firm meetings and investigatory visits. The number of RM visits undertaken does not indicate that a firm is a higher risk. It may just mean that the RM needed more information about how certain risks were being controlled.

Figure 2.7: length of time with a dedicated Regulatory Manager



[12] These firms had either been in RM for 6 months or had at least three engagement visits (whichever was longest). This allowed us to focus on firms that have had more experience with RM

Figure 2.8: number of RM meetings

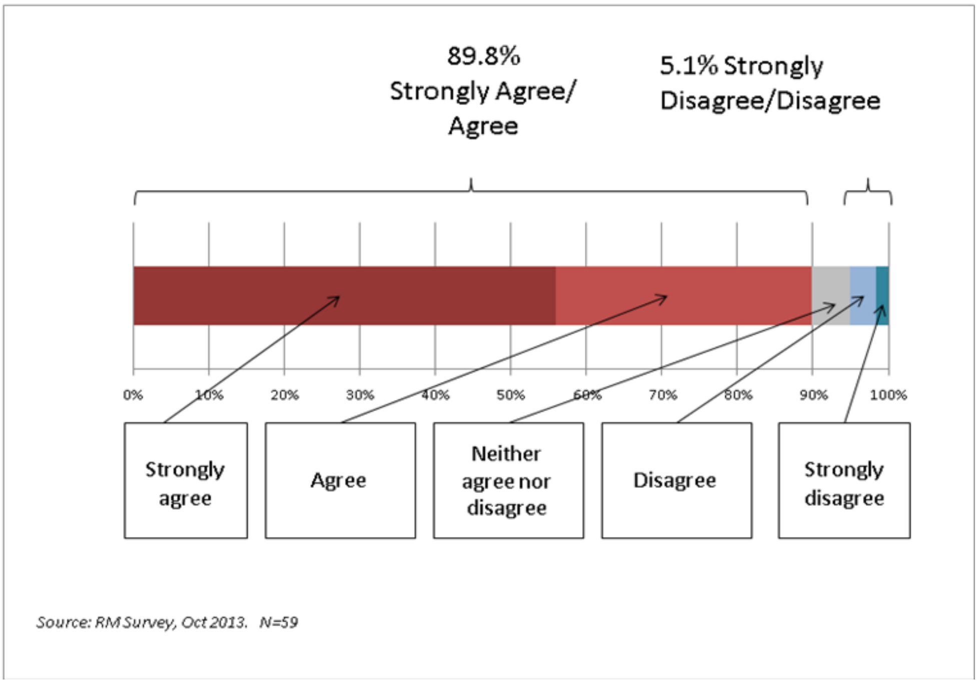


Working relationship with Regulatory Managers

A critical part of RM engagement with firms is the establishment of a constructive working relationship. Findings from the online survey, presented in Figure 2.9, highlight the effectiveness of Regulatory Managers in this regard, in establishing constructive relationships, with 89.8 percent of firms 'strongly agreeing' or 'agreeing' with the statement:

> '*Our firm has a constructive working relationship with the Regulatory Managers of the SRA'*

Figure 2.9: constructive working relationship with Regulatory Manager/s



Respondents that either ‘strongly agreed’ or ‘agreed’ that they have a constructive working relationship with the SRA’s Regulatory Managers provided explanations behind their choice. Positive reasons for this viewpoint included:

- the establishment of a direct line of communication between firm representatives and the SRA
- Regulatory Managers having a more detailed and informed understanding of firm structures and internal management systems
- the transparency of shared information between the firm and the Regulatory Managers
- the provision of more tailored information.

Whilst the vast majority of respondents were positive of the relationship they had established with the Regulatory Managers, 5 percent of respondents 'disagreed' or 'strongly disagreed' with the statement. A further 5.1 percent 'neither agreed nor disagreed'. Negative reasons included:

- the increased burden of dealing more frequently with the SRA
- limited input from the SRA on how firms can improve the business.

The latter point highlights the issue of 'safe harbour advice' and the role of the SRA as regulator. A clear distinction needs to be maintained between the firm and the regulator. It is not the role of the SRA to provide firms with recommendations for improving the day-to-day management and longer-term viability of a firm. Doing so would place the SRA and individual members of staff in a challenging position, if firms followed advice and did not receive favourable outcomes. It would also distract RMs from their key responsibility of ensuring that risks to the public interest are being managed effectively.

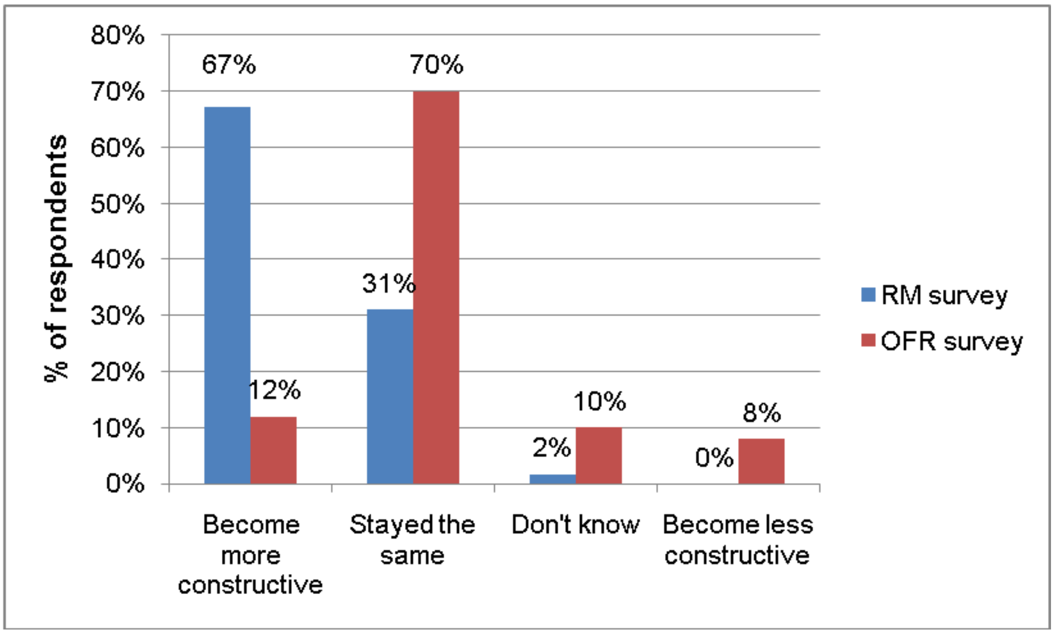
Working relationship with the SRA as a whole

Respondents were also asked about how their working relationship with the SRA (as a whole) has changed over the past 12 months. Over two thirds of firms (67 percent) stated that their relationship with the SRA was more constructive and just under one third (31 percent) considered the nature of their relationship had remained the same. There were no examples of firms whose relationship had become less constructive. Significantly, 94.8 percent of respondents 'strongly agreed' or 'agreed' that their interaction with the SRA's RM team contributed to this change.

The OFR survey of low and medium impact firms revealed that over the twelve month period since the launch of OFR, there was little evidence that these firms have experienced a change in the working relationship between the firm and the SRA (Figure 2.10). However, firms that had been visited by an SRA supervisor over this period were generally more positive than those who had not. This is encouraging as firms with more direct exposure to SRA supervisors working under the new arrangements of OFR were more likely to feel a constructive relationship had developed.

The responses from RM firms, indicating that the relationship with the SRA is becoming more constructive, could be indicative of the greater number of visits that have taken place. As more low and medium impact firms also gain first-hand experience of dealing with the SRA under OFR, it is possible that they will respond in a similar way.

Figure 2.10: change in the working relationship between the firm and the SRA over the past 12 months (RM survey) and 12 months since OFR (OFR survey)



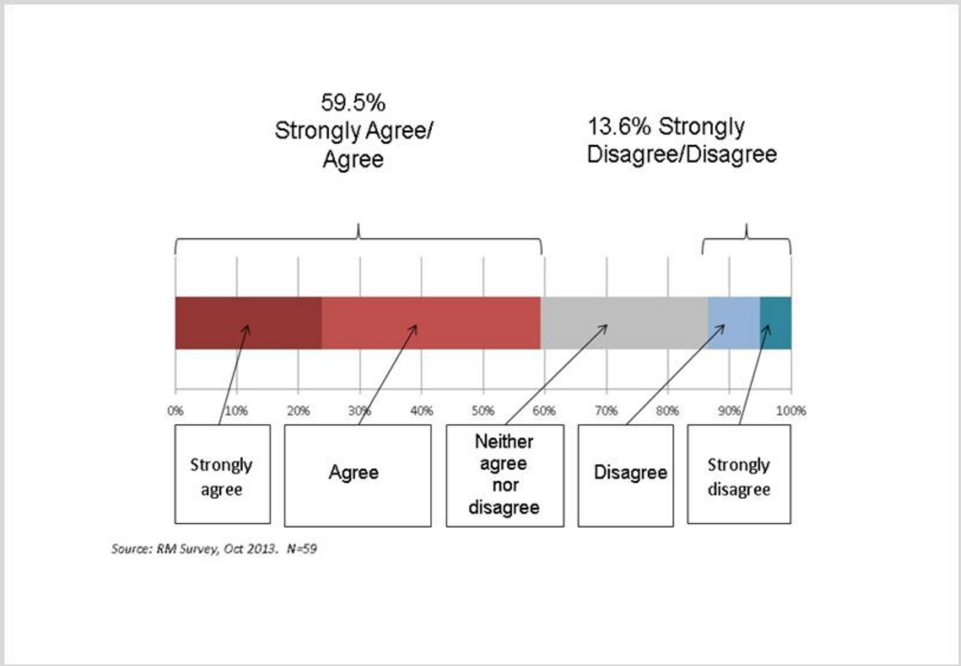
Source: RM Survey, Oct 2013 (N = 38) and OFR Survey, Oct 2012 (N = 1,000)

Care is needed when making direct comparisons as the surveys were carried out 12 months apart. Differences in responses cannot be directly attributed to the different forms of supervision.

Complying with regulation

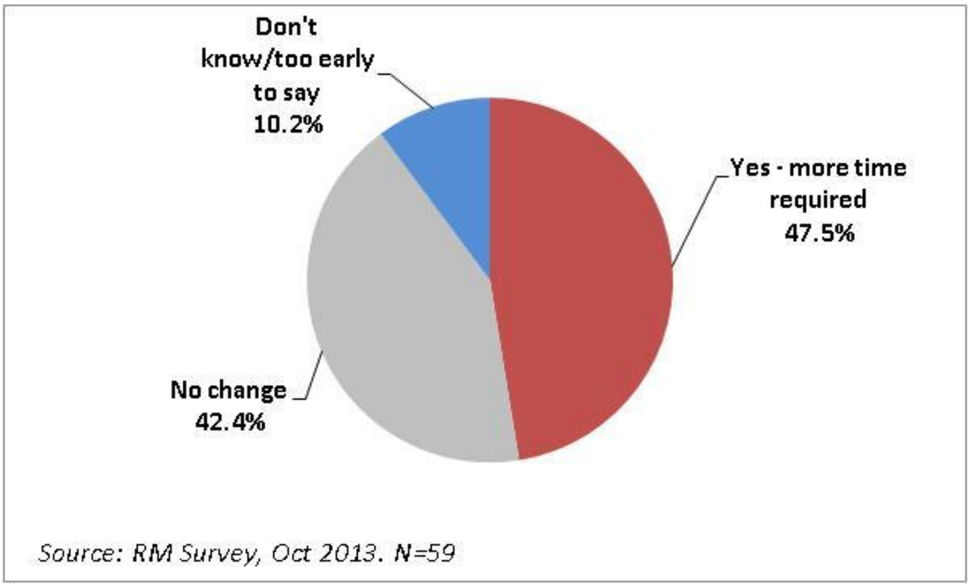
Respondents were asked to comment on whether having a dedicated SRA Regulatory Manager allows their firm to comply with regulation more effectively. Although responses were largely positive with over half 'strongly agreeing' or 'agreeing' with the statement (having a dedicated Regulatory Manager/s allows our firm to comply with regulation more effectively)', 13.6 percent 'disagreed or 'strongly disagreed'. A further 27.1 percent provided a more neutral response (Figure 2.11).

Figure 2.11: does having a dedicated SRA Regulatory Manager allow your firm to comply with regulation more effectively ?



Firms were asked whether there has been a change in the amount of **time spent** complying with the SRA's regulatory arrangements as a result of being identified as high impact and having a Regulatory Manager. As Figure 2.12 illustrates, almost half of respondents reported an increase in time, with just over two in five stating that the amount of time needed to comply had not changed. One in ten respondents considered it was too early in their engagement with RM to provide an informed response.

Figure 2.12: change in compliance time



For those respondents that identified an increase in time, two reasons were regularly put forward:

- **meetings:** a previous question detailed the number of meetings firms were having with RMs, with some having more than five over an 18 month period. Respondents reported that these meetings, and associated preparation, are resource intensive and require the compilation of various pieces of information and evidence

- **compliance officers:** a number of respondents stated that increased responsibilities relating to supply of information necessitated the recruitment of COLPs and COFAs. Existing staff in larger firms could not dedicate sufficient time to SRA requirements and information requests[13].

Respondents were asked about the extent their involvement in RM had led to any benefits to their firm. The question was asked as a series of statements, which respondents could agree or disagree with (on a five-point scale where one is ‘strongly disagree’ and five is ‘strongly agree’).

Figure 2.13 highlights that overall firms were neutral in terms of the contribution of RM in allowing them to understand the SRA’s approach to OFR. Respondents were slightly more positive when asked about the extent to which RM has allowed them to comply with OFR in a more cost effective way.

Figure 2.13: interaction ratings

	Average score (out of five)
Allowed you to understand the SRA's approach to OFR?	2.4
Allowed you to comply with OFR in a more cost effective way?	3.2
Allowed you to better understand the flexibility provided by OFR?	2.9
Encouraged you to inform the SRA about actual/possible regulatory breaches?	2.3
Allowed you to understand the SRA's requirements on COLP's and COFA's?	2.6

[13] It must be noted that having a COLP and a COFA is not a specific feature of RM, it is applicable to all firms

Experience of other SRA departments

Firms were asked to rate their experience of dealing with other aspects of the SRA, specifically: My SRA[14], Authorisation, Ethics Guidance and the Call Centre, on a scale of one to five (where one is 'very negative' and five is 'very positive'). Figure 2.14, details the average rating and illustrates that firms consider their experience to be little better than neutral in three out of the four departments. The most positively rated area was the Ethics Guidance Helpline.

Figure 2.14: experience ratings - where one is very negative and five is very positive

	Average score (out of five)
My SRA (on-line services)	2.7
Authorisation	3.0
Ethics Guidance Helpline	3.3
Call Centre	2.2

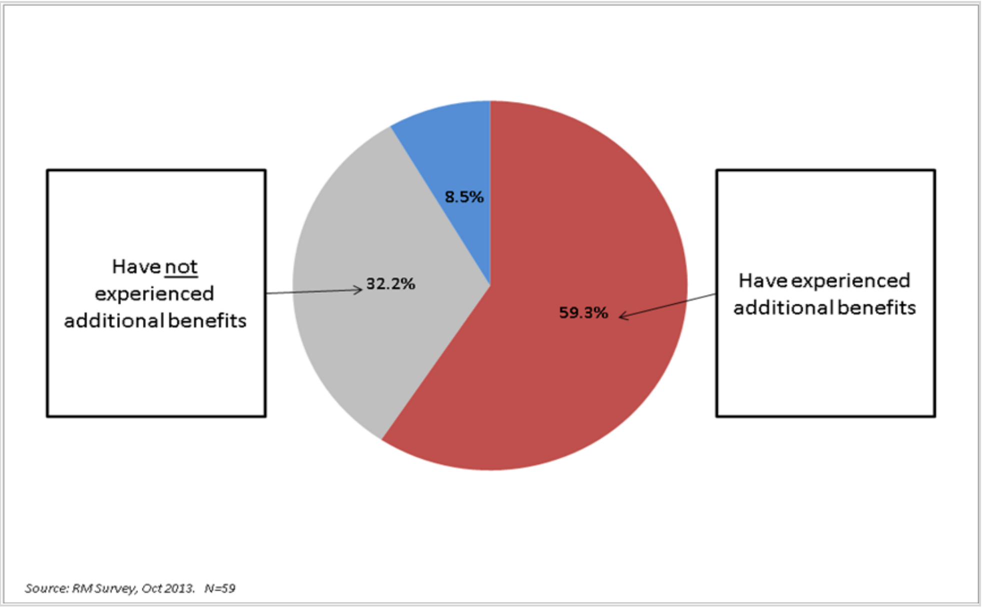
Additional benefits and costs

Firms were asked whether they had experienced any additional benefits as a result of their involvement with RM (Figure 2.15). Over half of firms (59.3 percent) stated they had experienced additional benefits – these can be categorised under the following themes:

- **Improved dialogue and contact with the SRA:**
  - firms have a focal point, a designated individual to discuss issues and queries
  - individuals and firms have a greater understanding of SRA priorities and how they relate to the activities of the firm
  - the RM function has introduced a more 'human and personalised' element to formal engagement with the SRA.
- **Business benefits:**
  - clarified eligibility criteria for Alternative Business Structures (ABS) and provided assistance in understanding the structure and trajectory of the firm.

[14] My SRA is the online system for practising certificate renewals

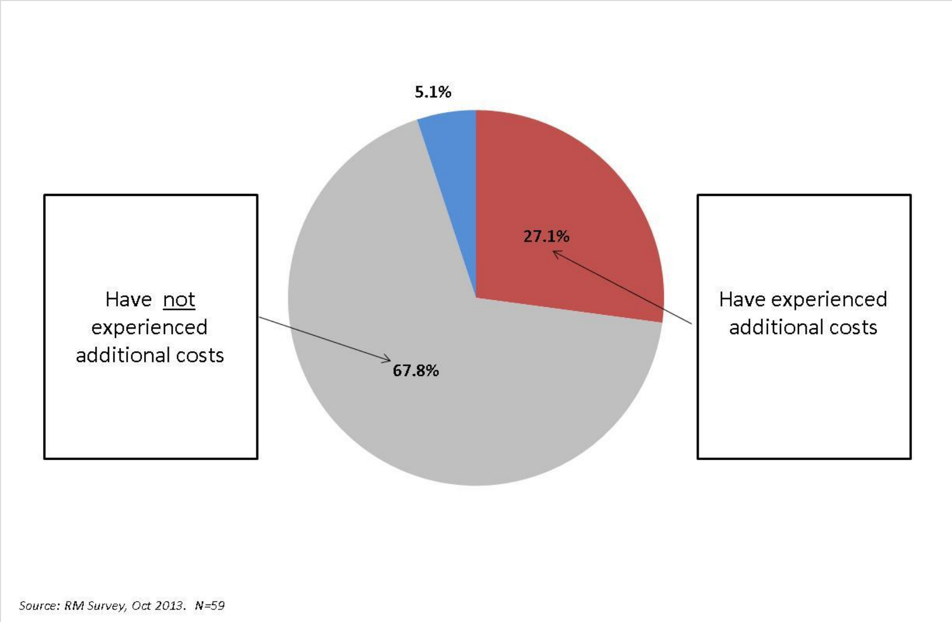
Figure 2.15: additional benefits of RM engagement



Firms were also asked whether they had experienced any disadvantages or additional costs as a result of their involvement with RM. As highlighted in Figure 2.16 just over one quarter of respondents (27.1 percent) have experienced some additional costs. These costs were again centred on the earlier issue of time and the increased resources required to remain compliant with regulations. More specifically, the disadvantages included:

- the time taken to prepare for meetings and investigatory visits with the SRA
- the financial costs of withdrawing partners and fee earners from the principal roles and responsibilities to attend meetings with SRA representatives - these costs are almost always borne by the senior partners and staff in the firm.
- the costs associated with compliance training and changes to internal procedures.

Figure 2.16: disadvantages of RM engagement



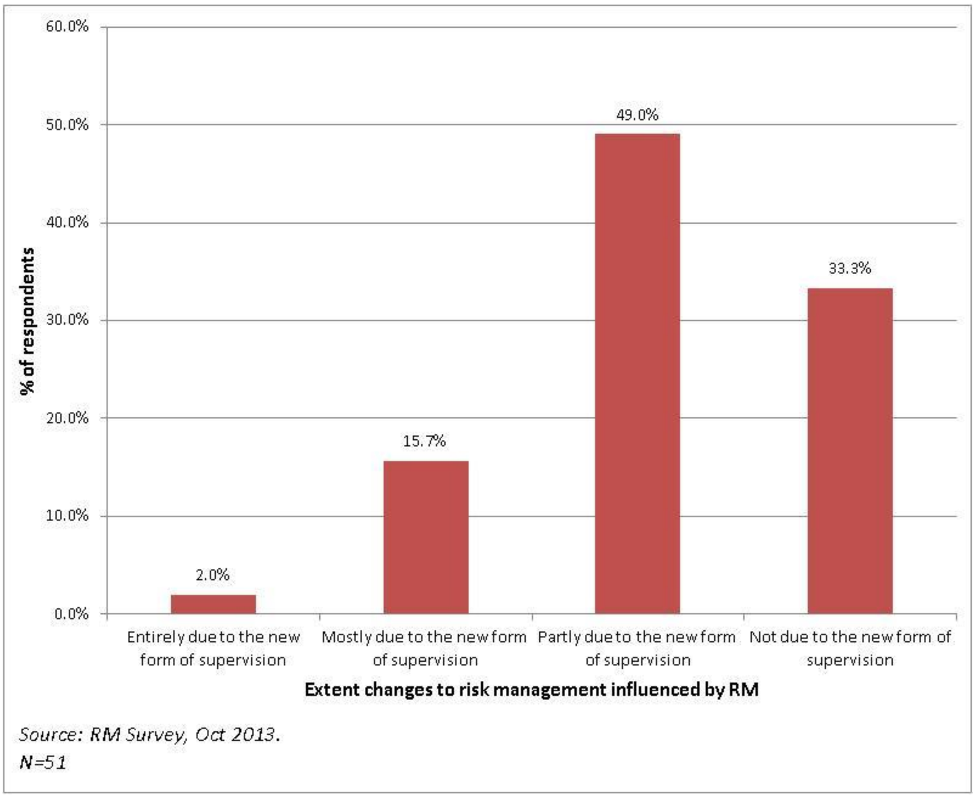
Approach to risk management

Since the introduction of OFR and RM, the SRA have focused their attention on the identification and control of risk. This shift in emphasis is becoming an increasingly integral part of firm management and has been reflected in responses to questions on risk management. The shift in emphasis towards targeted engagement with firms, based on identification and mitigation of particular risks, has been mirrored within the firms themselves. 84.7 percent of respondents have made internal and infrastructural changes to risk management.

Examples of such changes include:

- the introduction of more effective data collation and analysis
- the implementation of improved audit trails and recording of information
- the introduction of risk management structures, including detailed risk registers
- the larger RM firms have recruited additional staff to address the compliance issues arising from day-to-day firm activities. In particular, they have appointed Risk Managers, responsible for implementing firm-wide procedures
- appointment of COLPs and COFAs, have increased the amount of scrutiny placed on client take-on and sources of funding.

Figure 2.17: influence of RM on Risk Management



When asked to consider the influence of RM upon changes to internal management of risk, there was a mixed response. (Figure 2.17). Almost half (49 percent) stated that changes to risk management had 'partly been due to the new form of supervision and engagement activity'. This compared with one in three respondents who stated that changes were 'not due to the new form of Supervision'.

According to respondents, OFR and the introduction of RM has enabled the SRA to identify and better understand risks associated with particular firms. This has been facilitated through more regular interaction between firm representatives and the SRA. When asked to rate this on a scale of one to five (where one is strongly disagree and five is strongly agree), firms provided an average rating of 4.24, highlighting the increased effectiveness of RM in risk management.

OFR

Survey respondents included a large proportion who had taken on the role of COLP or COFA – of the 59 responses received, 65 percent were provided by the COLP or COFA.

COLPs and COFAs play a key role in the SRA's regime of OFR and are instrumental in creating a culture of compliance throughout the firm. These nominated people act as a focal point for the identification of risk, and the key point of contact for the SRA on compliance matters. We work with COLPs and COFAs to build a closer working relationship between the regulator and those that are regulated.

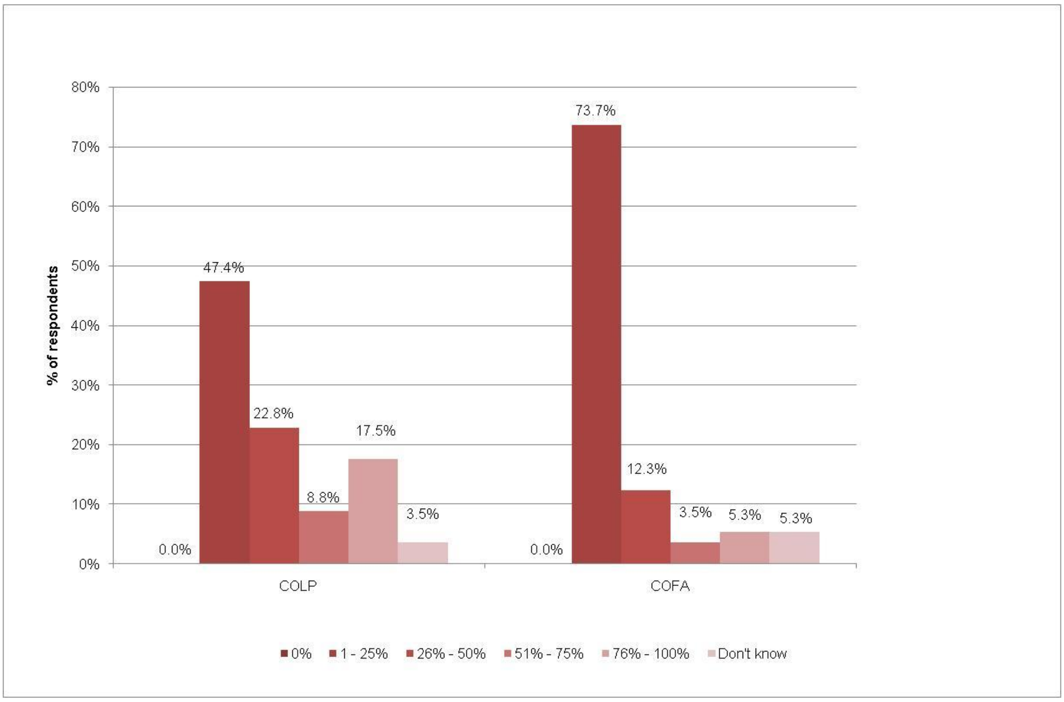
Respondents were asked to estimate the proportion of COLP or COFA time that would be spent on compliance with the SRA's regulations, opposed to other fee earning or other business activities. As expected, compliance officers in RM firms spend a larger proportion of their time doing things they classified as 'compliance related'. This reflects the larger size of RM firms and the scope within these firms for more dedicated compliance roles. Figure 2.18 highlights the spread of responses and the main findings include:

- **for COLPs**:
  - 47.4 percent estimated that the COLP spends under a quarter of their time on compliance duties (compared to 78 percent from the 2012 OFR survey of low and medium impact firms)
  - 22.8 percent estimated that the COLP would spend between a quarter and half of their time on compliance duties (compared to only 10 percent of firms in the OFR survey of low and medium impact firms)
  - 17.5 percent estimated that the COLP would spend over three-quarters of their time on compliance duties (compared with only 2 percent of firms in the OFR survey of low and medium impact firms).
- **For COFAs**:
  - 73.7 percent estimated that the COFA spends under a quarter of their time on compliance duties (compared to 80 percent from the 2012 OFR survey of low and medium impact firms)
  - 12.3 percent estimated that the COFA would spend between a quarter and half of their time on compliance duties (compared to only 9 percent of firms in the OFR survey of low and medium impact firms)
  - 5.3 percent estimated that the COFA would spend over three quarters of their time on compliance duties (compared to only 1 percent of firms in the OFR survey of low and medium impact firms).

The findings above indicate that COLPs in RM firms are spending more time on compliance duties when compared to firms outside of RM and that COFAs are spending a similar amount of time. This supports the earlier finding of RM firms recruiting additional staff to fulfil the compliance responsibilities.

Care is needed when making direct comparisons as the surveys were carried out 12 months apart. Differences in responses cannot be directly attributed to the different forms of supervision.

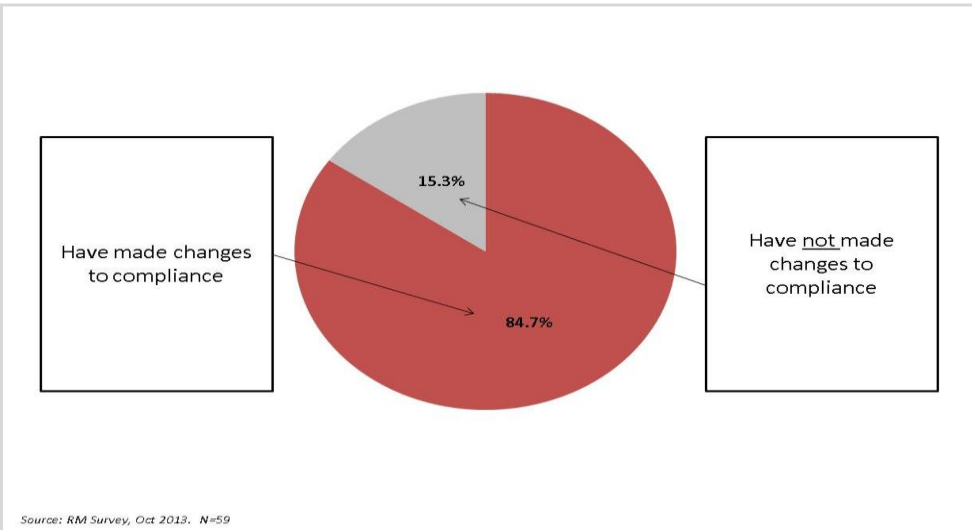
Figure 2.18: estimation of the proportion of time (of a full time role) that a COLP or COFA will spend on compliance (as opposed to other fee earning or other business activities)



Changes to compliance practice

84.7 percent of respondents stated that, other than nominating a COLP and COFA, their firms have made changes to the way they comply with SRA regulation as a result of OFR. Only 15.3 percent of respondents are continuing to approach compliance in the same way, with the exception of nominating their COLP or COFA.

Figure 2.19: changes to compliance as a result of OFR? (other than nominating COLP and COFA)

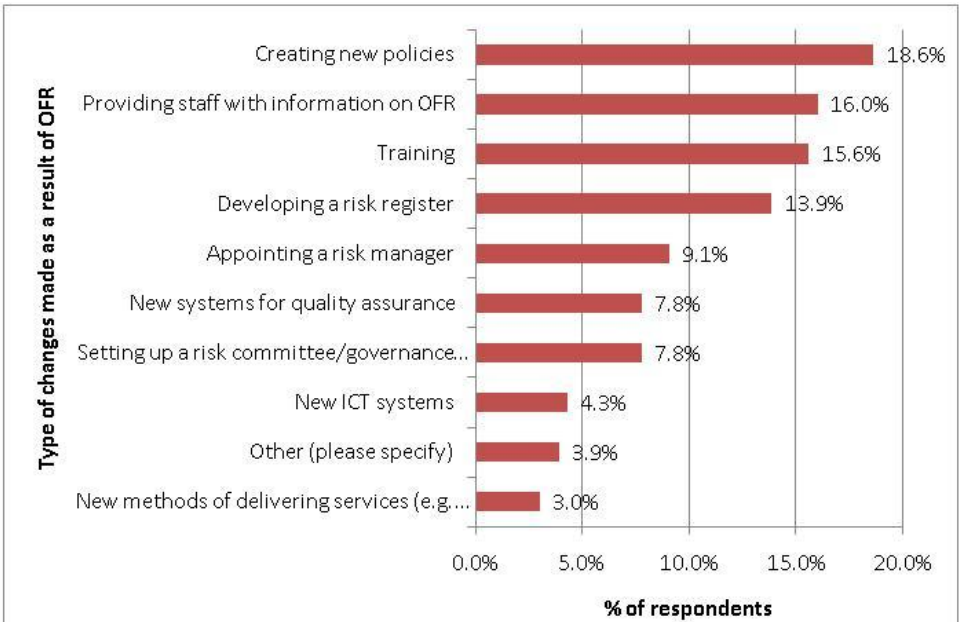


The respondents who have made a change to their approach to compliance as a result of OFR were asked to indicate what this change involved. Figure 2.20 demonstrates that the most frequently made changes were:

- creating and implementing new policies (18.6 percent)
- providing staff with information on the requirements of OFR (16 percent)
- providing training to staff (15.6 percent).

All three of the above changes illustrate how RM firms are looking to embed compliance and OFR requirements into their activities and day-to-day management. Training and creation of new policies also featured heavily for firms in the OFR survey, although at that stage there was greater emphasis on reviewing and assessing the suitability of existing policies and procedures.

Figure 2.20: type of changes made to compliance as a result of OFR



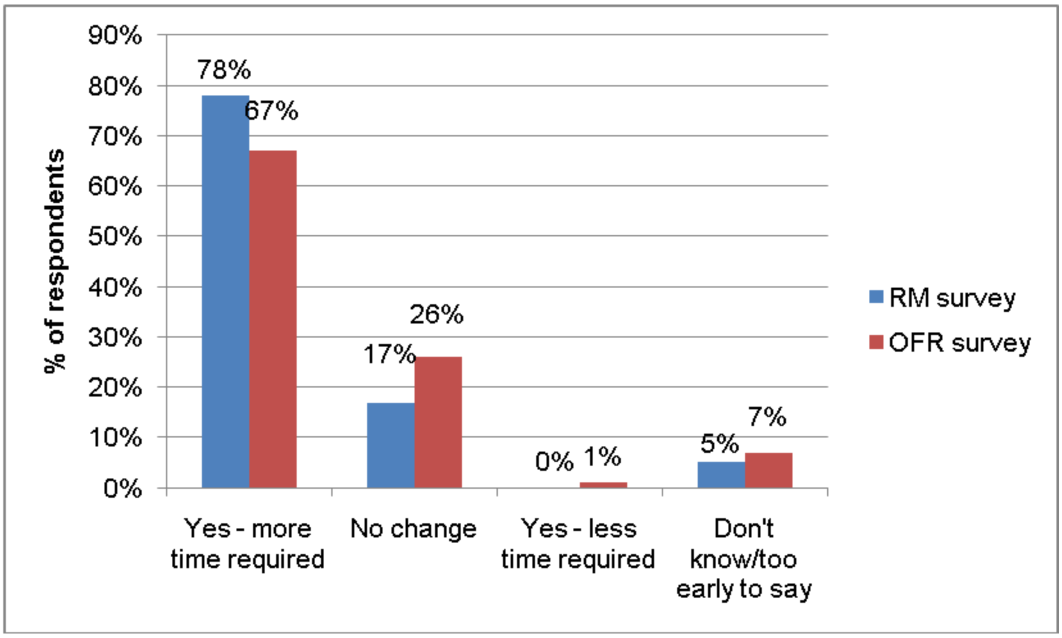
Source: RM Survey, Oct 2013, N=231

Time spent complying with OFR

Respondents were asked whether, as a result of OFR, there had been a change in the amount of time spent on complying with the SRA's regulatory requirements.

The majority stated that there had been a change with more time spent on compliance (78 percent). Only 16.9 percent believed that they had experienced no change in time spent on compliance and 5.1 percent reported that it was too early to make a judgement. Although direct comparisons are not easy to make, the results were similar for the low and medium impact firms that responded to this question in the OFR survey (Figure 2.21) with the majority stating that there had been a change towards more time being required to comply. Only 1 percent believed that they had experienced a reduction in time spent on compliance, whilst a quarter of firms stated that OFR had not made a difference in this respect.

Figure 2.21: impact of OFR on the amount of time required to comply with SRA regulatory requirements (RM survey and OFR survey results)



Source: RM Survey, Oct 2013 (N = 59) and OFR Survey, Oct 2012 (N = 1,000)

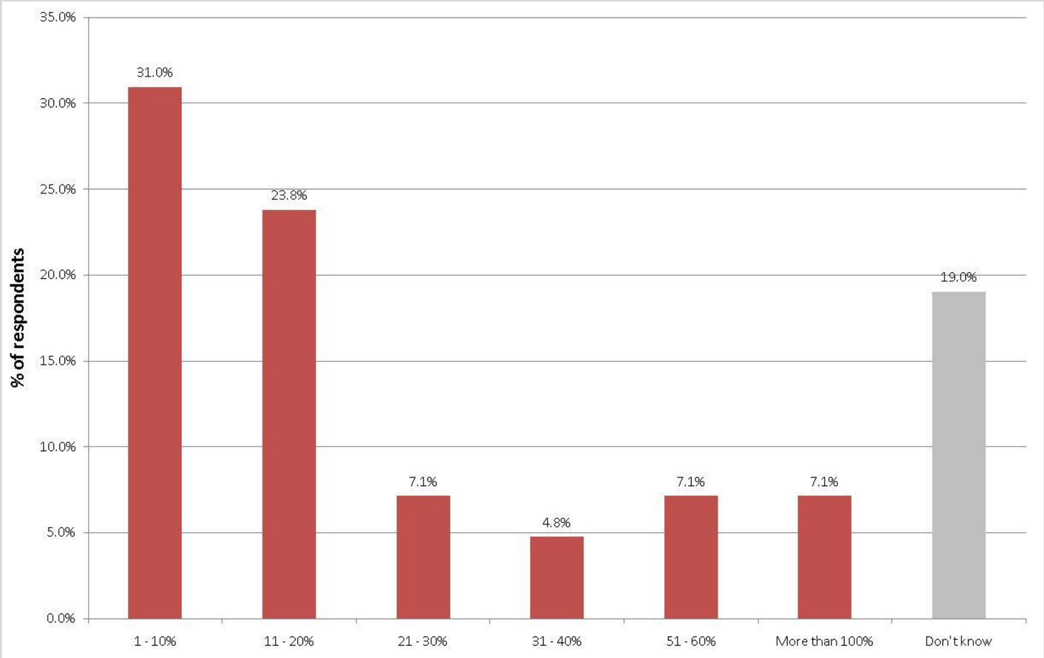
Care is needed when making direct comparisons as the surveys were carried out 12 months apart. Differences in responses cannot be directly attributed to the different forms of supervision.

When looking at the proportion of additional time required by RM firm respondents with those of OFR respondents, the following similarities and differences were identified:

- 54.8 percent of RM respondents estimated that OFR had required between one and 20 percent more time (compared with 62 percent from the OFR survey)

- 14.2 percent of RM respondents estimated that OFR had required between 51 and 100 percent more time (compared with only 9 percent from the OFR survey).

Figure 2.22: amount of additional time required (of firms stating that it takes more time to comply with OFR)

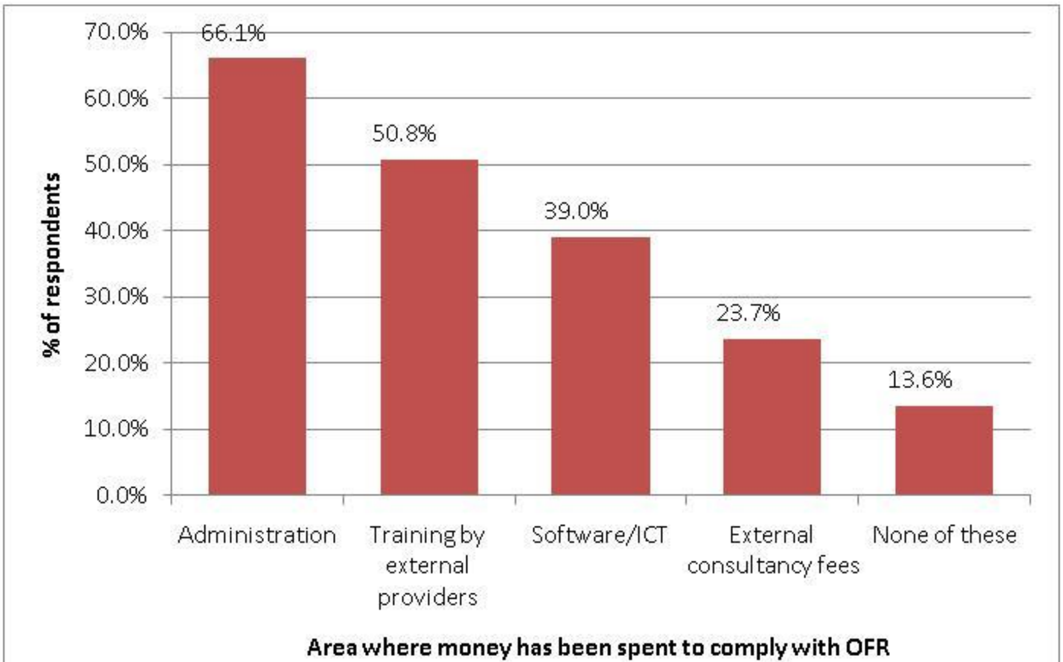


Source: RM Survey, Oct 2013. N=42

Additional money spent to comply with OFR

Figure 2.23 shows where firms have spent money in order to comply with OFR.

Figure 2.23: money spent to comply with OFR



Source: RM Survey, Oct 2013.

From Figure 2.23, the following analysis can be made with the OFR survey 2012:

- two thirds of RM respondents spent money on administration, compared with just under half (48 percent) of firms in the OFR survey

- half of RM respondents spent money on training, compared with three quarters of OFR survey respondents

- almost two in five of RM respondents spent money on software, compared with 27 percent

- just under one quarter (23.7 percent) spent money on external consultancy fees, compared with one in five OFR survey respondents.

Having considered where firms have spent money, they were then asked to estimate their average spend on each of the same areas. Although some large figures are stated, these should be viewed in relation to the size of many RM firms.

Figure 2.24: average amounts spent to comply with OFR (RM and OFR surveys)

	Training	Administration	Software/ ICT	Consultancy fees
Overall average amount spent (2013 RM Survey)	£5,704	£56,365	£50,809	£14,800
	NB – average turnover for RM firms responding to the survey = £103.6m[15]			

This average expenditure has increased for almost two thirds of RM respondents (63.3 percent), over the last 12 months, whilst it has remained the same for almost one third. Only 4 percent of firms stated a reduction in expenditure.

Firms' views on compliance costs

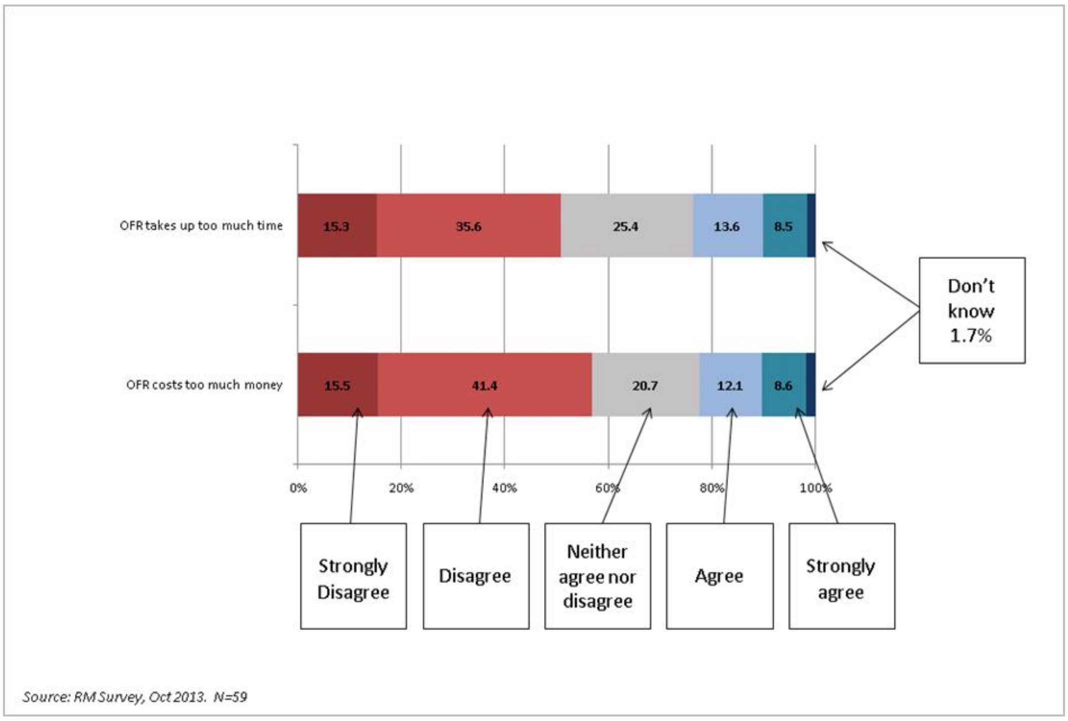
We asked respondents to rank (using a five point scale) the extent they agree with the statement that 'complying with OFR takes up too much **time** (compared to the regulatory arrangements pre OFR)'. The findings are set out in Figure 2.25, which show that:

- 51 percent of respondents gave a score of one or two – indicating that they 'strongly disagreed' or 'disagreed' that compliance with OFR takes up too much time'

- 20.6 percent of respondents gave a score of four or five, indicating that they 'strongly agreed' or 'agreed' that compliance with OFR 'takes up too much time'.

[15] Four firms that responded to the survey reported an annual turnover of over £200m which skewed the average turnover for all respondents. The average turnover for respondents excluding these four firms is £50.40m.

Figure 2.25: on a scale of one-five (where one is strongly disagree and five is strongly agree) to what extent do you agree that ‘complying with OFR takes up too much time’/’costs too much money’



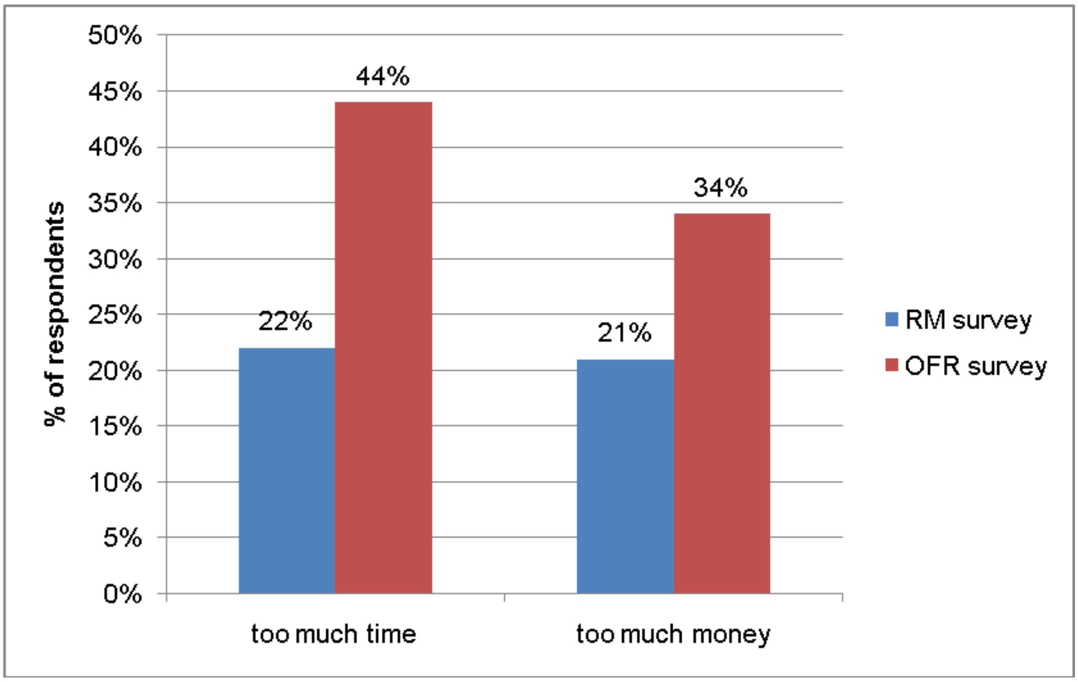
We also asked firms (using the same five point scale) to rank the extent they agreed with the statement ‘complying with OFR costs too much **money** (compared to the regulatory arrangements pre OFR)’. Figure 2.25 shows that:

- 57 percent of respondents gave a score of one or two – indicating that they ‘strongly disagreed’ or ‘disagreed’ that compliance with OFR ‘costs too much money’

- 21 percent of respondents gave a score of four or five, indicating that they ‘strongly agreed’ or ‘agreed’ that compliance with OFR ‘costs too much money’.

Figure 2.26 highlights a contrast with the views provided in the 2012 survey of low and medium impact firms. This comparison shows that RM respondents generally indicated a lower perception of costs compared to regulatory requirements pre-OFR. It is not possible to understand whether this is a result of more time having passed between the introduction of OFR and the RM survey, or whether it can be attributed to a different style of supervision. Future surveys will explore this issue in more depth.

Figure 2.26: strongly agree/agree that 'complying with OFR takes up too much time'/'costs too much money' (RM and OFR results)



Source: RM Survey, Oct 2013 (N = 59) and OFR Survey, Oct 2012 (N = 1,000)

Care is needed when making direct comparisons as the surveys were carried out 12 months apart. Differences in responses cannot be directly attributed to the different forms of supervision.

Firms' views on any unnecessary regulatory requirements

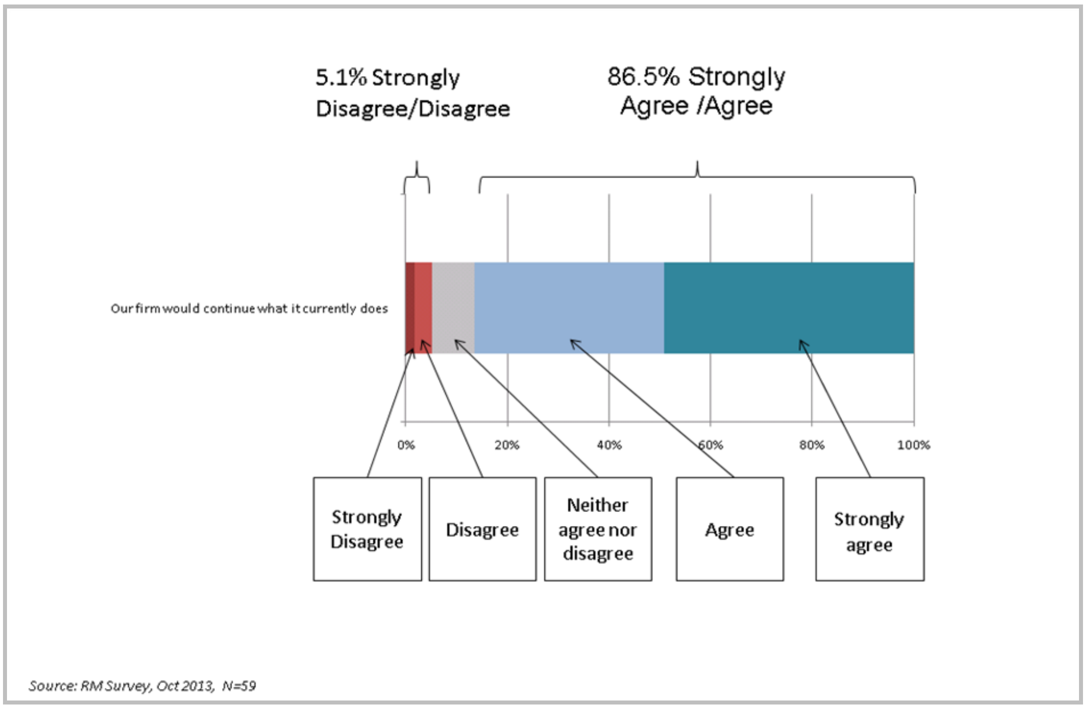
Participants in the survey were asked to what extent they agreed with the following statement:

> *'Even if we were not required to do so by the SRA, your firm would continue what it currently does to comply simply in order to run your firm well and look after your clients interests'*

As shown in Figure 2.27, 86.5 percent of respondents either 'strongly agreed' or 'agreed' with this statement. This suggests that the majority perceive the SRA's regulation as being consistent with the good management of their firm and in line with looking after client interests.

Only 5.1 percent of respondents 'disagreed' or 'strongly disagreed' with this statement and 8.4 percent gave a neutral response.

Figure 2.27: to what extent do you agree that even if you were not required to do so by the SRA, your firm would continue what it currently does to comply simply in order to run your firm well and look after your clients' interests?



To understand more about the types of action firms perceive to be unnecessary, respondents were asked:

> *'In terms of running your firm well and looking after your clients interests, is there anything you do to comply with the SRA's regulation that you do to comply with the SRA's regulation that you would otherwise not carry out'*

Examples provided by respondents include:

- keeping of risk registers
- recording minor regulatory breaches
- keeping documentation
- having compliance officers
- using compliance officer resources to review diversity and financial management

Perception of enforcement

A key aspect of any regulator's work is to act as a deterrent against non-compliance and ensure that the regulated community are compelled to adhere to the standards required of them.

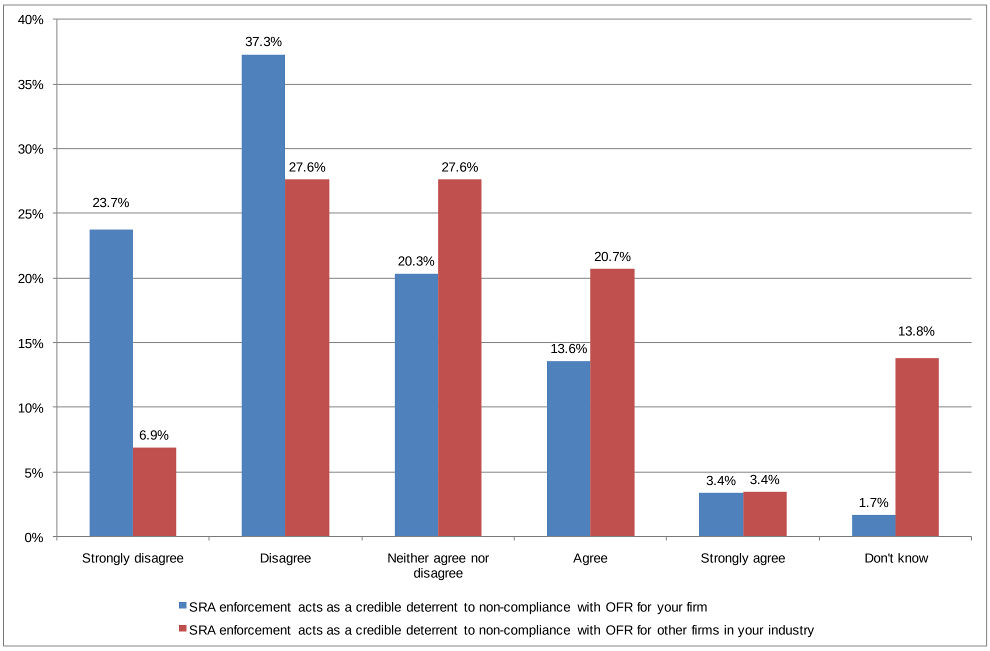
The results in Figure 2.28 show the responses of firms to two questions:

- To what extent do you agree that SRA enforcement acts as a credible deterrent to non-compliance with OFR for **your firm**?

- To what extent do you agree that SRA enforcement acts as a credible deterrent to non-compliance with OFR for **other firms in your industry**?

The findings show that 17 percent of respondents claimed that SRA enforcement acts as a credible deterrent to non-compliance for their firm. A slightly higher proportion of respondents (24.1 percent) reported that SRA enforcement acts as a credible deterrent to other firms in the industry.

Figure 2.28: views on SRA enforcement as a credible deterrent to non-compliance



In contrast, approximately 70 percent of respondents to the OFR survey stated that SRA enforcement acts as a credible deterrent to non-compliance at their firm. Those that did not feel enforcement acted as a deterrent explained that this was because they would 'comply anyway'. In terms of views on the credibility of enforcement as a deterrent to 'other firms', a slightly lower proportion (59 percent), felt that that it successfully played this role. Only 9 percent gave a response indicating that they did not believe that enforcement acted as a credible deterrent.

Flexibility offered by OFR

One of the intended benefits of OFR is to reduce unnecessary cost to firms by removing prescriptive rules and replacing them with more flexible principles (and outcomes). This should mean that firms no longer need to comply with a long list of rules, provided that they ensure that they achieve the required outcomes for their clients and act in a way that is consistent with the ten regulatory principles.

If this flexibility is not used in practice, then it is possible that firms will not achieve the potential benefits that OFR offers.

Figure 2.29 shows that although only 3 percent of respondents are already taking advantage of the greater flexibility offered by OFR the majority of respondents (66 percent) are taking advantage to some extent. Interestingly, 24 percent of respondents are not taking advantage of the flexibility. The main reasons why firms have not taken advantage of the flexibilities are:

- they do not believe that OFR is more flexible
- they are already compliant with OFR
- they don't understand how they can take advantage.

In the future, respondent firms are intending to make more use of this flexibility with the proportion reporting ‘not at all’ declining to 12 percent (Figure 2.30) although still only 7 percent believed they would only do so to a great extent.

Figure 2.29: to what extent has your firm already taken advantage of the greater flexibility offered by OFR?

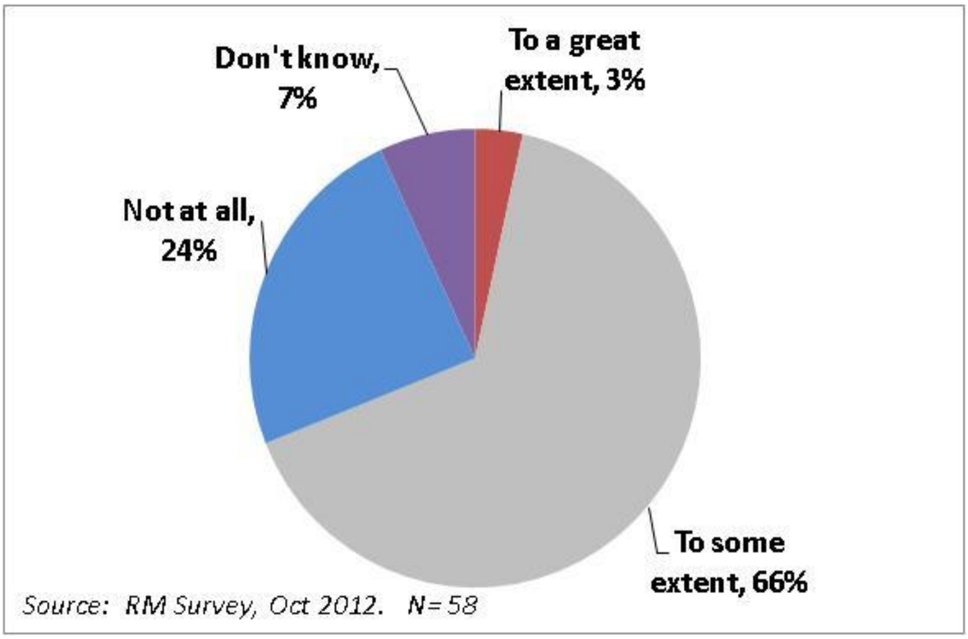
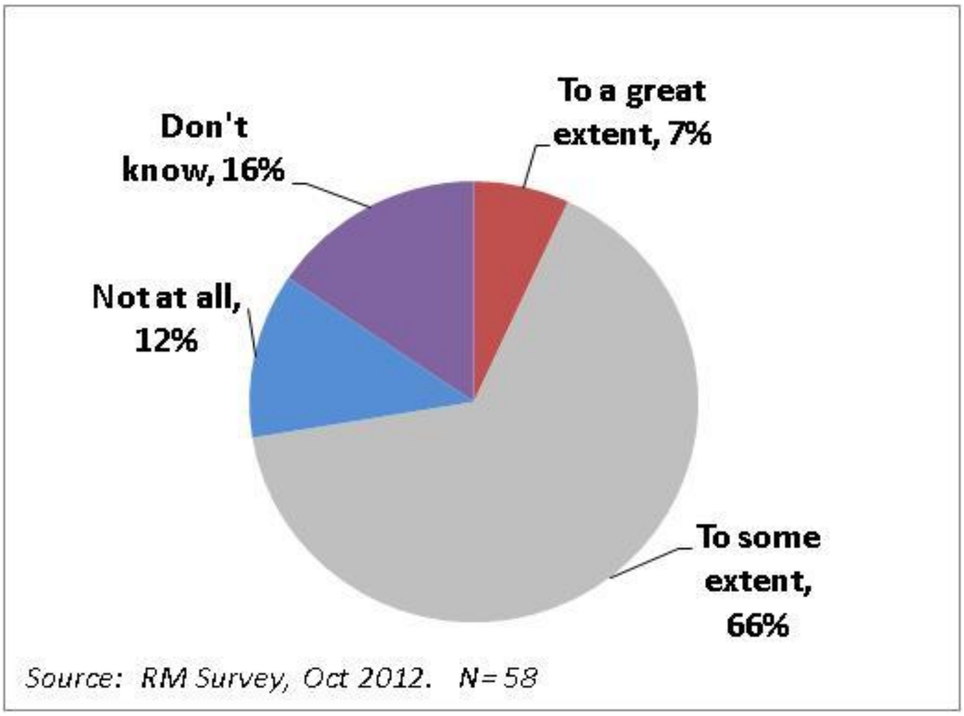


Figure 2.30: to what extent will <u>your firm</u> take advantage of the greater flexibility offered by OFR <u>in the future</u>?

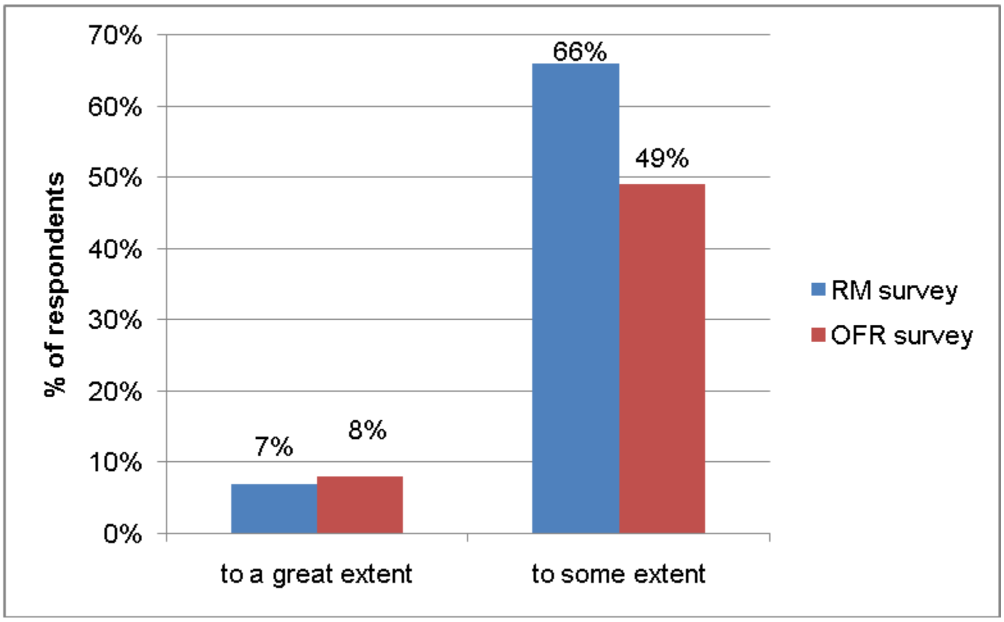


Firms that are already making, or have planned to make, changes to the way they comply were asked how this flexibility was being / would be used:

- 47.8 percent stated they were using the flexibility to be more innovative in meeting the needs of clients
- 15.9 percent stated they were using the flexibility to introduce new services
- 13 percent stated they were using the flexibility to change their business structure, exemplified by the introduction of ABSs.

Figure 2.31 highlights that there is a similar proportion of high impact and low/medium impact firm respondents that are likely to take advantage of the greater flexibility offered by OFR in the future to a great extent. The findings also indicate that there are a higher proportion of high impact firm respondents (66 percent) that are likely to take advantage of the flexibility 'to some extent'.

Figure 2.31: to what extent will <u>your firm</u> take advantage of the greater flexibility offered by OFR <u>in the future</u>? (RM and OFR surveys)



Source: RM Survey, Oct 2013 and OFR Survey, Oct 2012

3. Conclusions and next steps

Conclusions

The main conclusions from the research are that:

- The introduction of RM has enabled the SRA to identify and better understand the risks associated with particular firms. This has been facilitated through more regular interaction between firm representatives and the SRA
- RM has allowed for a more constructive relationship with the SRA. Feedback from the firm survey indicates that the high impact RM firms can see the benefit of having a key contact at the SRA that understands their firm in detail – something which they felt they did not have before this new approach. An overwhelming majority of survey respondents stated that they have a constructive working relationship with the SRA's Regulatory Managers and this helped high impact firms comply with regulation more effectively
- Over half of the respondents reported that RM has also had a positive influence upon changes to their internal management of risk
- RM has influenced the perceptions about the cost of compliance. Only 21 percent of RM firms 'agreed' or 'strongly agreed' that complying with OFR costs too much money. 22 percent of RM firms 'agreed' or 'strongly agreed' that complying with OFR takes too much time.

However, firms did report that they would benefit from:

- the sharing of best practice and case studies
- greater communication regarding updates on the experience of high impact firms, perhaps in the form of a newsletter.

Next steps

We will repeat the 2012 survey of low and medium impact firms in October 2014 – this will allow the baseline set in the original survey to be updated. We plan to repeat this exercise every two years in the future. We will not include RM firms in the 2014 survey as this will be too close to this survey. As well as wanting to avoid 'survey fatigue', we want more time to pass so that measurable changes are more likely to occur. Therefore, we will include RM firms again in the 2016 survey.

We will also continue to embed and develop our approach to regulating high impact firms, taking into account the feedback provided through the surveys. We will increase communication with a newsletter to the RM community and develop a bespoke approach to regulating the larger and city firms based on our greater understanding of the risks posed to our regulatory objectives posed by different cohorts of firms.

Annex one: firm online survey

Regulatory Management Firm Survey

The aim of this e-survey is to help the SRA understand the impact of its supervision of firms that have been identified as 'high impact'. A key part of this approach is the allocation of a Regulatory Manager to these firms.

The e-survey also asks some more general questions about Outcomes Focused Regulation (OFR). We are keen to find out about how this new approach to regulation has impacted the way in which your firm operates and any changes you have experienced.

Please rest assured that this e-survey will not be assessing your performance; your participation will be confidential; and all your answers will be treated anonymously. The SRA Research team will analyse all information collected and will present the results in aggregated format only.

Answering each question is optional, so if you would prefer not to answer particular question/s then feel free to do so. The e-survey should take approximately 25 minutes to complete.

If you have any questions about the survey, please contact Puja Vadgama by email at sraresearch@sra.org.uk

Thank you for agreeing to help us with the research.

Profile

1) Please enter the name of your firm:

____

2) In which region is your head office located?

( ) London

( ) South East

( ) South West

( ) East of England

( ) West Midlands

( ) North East

( ) North West

( ) Yorkshire & Humberside

( ) Wales

3) How many partners does your firm have?

____

4) How many employees does your firm have (please include all full time and part time staff)?

____

5) How many of your employees are Practising Certificate (PC) holders

____

6) Please provide an estimate of your firm's last recorded annual turnover?

____

7) What are the main legal activities carried out by your firm?

Please provide the three main activities for your firm by turnover (highest activity by turnover first).

_______Crime

_______Injury

_______Conveyancing

_______Property, construction and planning - commercial

_______Property, construction and planning - residential

_______Family

_______Employment

_______Immigration

_______Consumer problems

_______Intellectual property rights

_______Corporate finance e.g. mergers & acquisitions

_______Welfare and benefits or other rights

_______Public administrative law

_______Wills, trust and probate

Interaction with Regulatory Management and the SRA

8) How long have you had a dedicated SRA Regulatory Manager/s?

( ) Less than 6 months

( ) 6 to 12 months

( ) 12 - 18 months

( ) Over 18 months

9) How many meetings has your firm had with the SRA's Regulatory Manager/s to date?

( ) 0

( ) 1

( ) 2

( ) 3

( ) 4

( ) 5

( ) More than 5

10) On a scale of 1 to 5 (where 1 is strongly disagree and 5 is strongly agree), to what extent do you agree with the following statement

	1	2	3	4	5	Don't know
Our firm has a constructive working relationship with the SRA's Regulatory Managers						

11) Please explain the reasons behind your answer

12) On a scale of 1 to 5 (where 1 is strongly disagree and 5 is strongly agree), to what extent do you agree with the following statement

	1	2	3	4	5	Don't know
Having dedicated SRA Regulatory Manager/s allows our firm to comply with regulation more effectively						

13) As a result of being identified as a high impact firm and having a Regulatory Manager/s, has there been a change in the amount of time your firm spends on complying with the SRA's regulatory requirements?

( ) Yes - more time required

( ) Yes - less time required

( ) No change

( ) Don't know/too early to say

14) Please describe the change and if possible estimate a percentage change in the level of time required [if answered yes – more time required or yes – less time required in Q13]

15) On a scale on 1 to 5 (where 1 is very negative and 5 is very positive), how would you rate your experience of dealing with the SRA in terms of:

	1	**2**	**3**	**4**	**5**	**Don't know/no interaction**
MySRA (on-line services)						
Authorisation team						
Ethics Guidance Helpline						
Call centre						

16) Over the last 12 months, has the working relationship between your firm and the SRA as a whole...

( ) Become more constructive

( ) Become less constructive

( ) Stayed the same

( ) Don't know

17) To what extent do you agree with this statement:

Our interaction with the SRA's Regulatory Management team contributed to this change in the working relationship between our firm and the SRA [if answered become more constructive or become less constructive in Q16]

( ) Agree strongly

( ) Agree

( ) Neither agree nor disagree

( ) Disagree strongly

( ) Don't know

18) On a scale of 1 to 5 (where 1 is strongly disagree and 5 is strongly agree), to what extent have your interactions with Regulatory Management...

	1	**2**	**3**	**4**	**5**	**Don't know**
Allowed you to understand the SRA's approach to OFR?						
Allowed you to comply with OFR in a more cost effective way?						
Allowed you to better understand the flexibility provided by OFR?						
Encouraged you to inform the SRA about actual/possible regulatory breaches						
Allowed you to understand the SRA's requirements on COLP's and COFA's?						

19) Has your firm experienced any additional benefits as a result of your involvement with the SRA's Regulatory Management?

( ) Yes

( ) No

( ) Don't know

20) Please describe these benefits [if answered yes in Q19]

21) Has your firm experienced any additional costs or disadvantages as a result of your involvement with the SRA's Regulatory Management?

( ) Yes

( ) No

( ) Don't know

22) Please describe these costs or disadvantages [if answered yes in Q21]

Risk management

23) Since OFR was introduced in October 2011, have you made any changes to the way your firm identifies and manages risk?

( ) Yes

24) Please describe these changes [if answered yes in Q23]

25) To what extent were these changes influenced by the new form of supervision (Regulatory Management) by the SRA? [if answered yes in Q23]

( ) Entirely due to the new form of supervision

( ) Mostly due to the new form of supervision

( ) Partly due to the new form of supervision

( ) Not due to the new form of supervision

26) On a scale of 1 to 5 (where 1 is strongly disagree and 5 is strongly agree), to what extent do you agree with the following statements

	1	**2**	**3**	**4**	**5**	**Don't know**
The SRA is better placed to understand the risks associated with our firm as a result of our interaction with the SRA's Regulatory Managers						
The SRA focuses its resources on factors that present the greatest risks to the public						

Outcomes focused regulation

27) The SRA requires regulated firms to nominate a COLP and a COFA. Are you the...

[ ] COLP

[ ] COFA

[ ] Neither

28) What proportion of the COLP's time do you estimate is being spent on compliance with SRA's regulations (as opposed to fee earning and other business activities)?

( ) 0%

( ) 1 – 25%

( ) 26% - 50%

( ) 51% - 75%

( ) 76% - 100%

( ) Don't Know

29) What proportion of the COFA's time do you estimate is being spent on compliance with SRA's regulations (as opposed to fee earning or other business activities)?

( ) 0%

( ) 1 – 25%

( ) 26% - 50%

( ) 51% - 75%

( ) 76% - 100%

( ) Don't Know

30) Other than nominating a COLP and COFA, has your firm made any changes to the way you comply with SRA regulation as a result of OFR?

( ) Yes

( ) No

( ) Don't know

31) What did the main changes involve? [if answered yes in Q30]

Please select all that apply

[ ] Appointing a risk manager

[ ] Developing a risk register

[ ] Setting up a risk committee / governance arrangements for risk

[ ] Creating new policies

[ ] Training (e.g. on undertakings)

[ ] Providing staff with information on OFR - newsletters, seminars, etc

[ ] New methods of delivering services (e.g. online services)

[ ] New ICT systems

[ ] New systems for quality assurance

[ ] Don't know

[ ] Other (please specify)

32) As a result of OFR, has there been a change in the amount of time that your firm spends on complying with the SRA's regulatory requirements?

( ) Yes - more time required

( ) Yes - less time required

( ) Don't know/too early to say

33) Can you estimate a percentage change in the level of time required to comply with OFR? [if answered yes – more time required or yes – less time required in Q32]

( ) 1% - 10%

( ) 11% - 20%

( ) 21% - 30%

( ) 31% - 40%

( ) 41% - 50%

( ) 51% - 60%

( ) 61% - 70%

( ) 71% - 80%

( ) 81% - 90%

( ) 91% - 100%

( ) More than 100%

( ) Don't know

34) Has your firm spent money on any of the following to comply with OFR?

Please select all that apply

[ ] Training by external providers

[ ] External consultancy fees

[ ] Software/ICT

[ ] Administration

[ ] None of these

[ ] Don't know

How much has your firm spent on each of these activities? If you are unsure of the exact amount please provide estimated values [if answered Q34]

	Expenditure (£)

35) And compared with the past 12 months, has the amount spent increased, decreased or stayed the same? [if answered Q34]

( ) Increased

( ) Stayed the same

( ) Don't know

36) On a scale of 1 to 5 (where 1 is strongly disagree and 5 is strongly agree), to what extent do you agree with the following statements

	1	**2**	**3**	**4**	**5**	**Don't know**
Complying with OFR takes up too much time (compared to the regulatory arrangements pre OFR)						
Complying with OFR costs too much money (compared to the regulatory arrangements pre OFR)						

37) On a scale of 1 to 5 (where 1 is strongly disagree and 5 is strongly agree), to what extent do you agree with the following statement

	1	**2**	**3**	**4**	**5**	**Don't know**
Even if we were not required to do so by the SRA, our firm would continue what it currently does to comply simply in order to run our firm well and look after our clients interests						

38) In terms of running your firm well and looking after your clients' interests, is there anything you do to comply with the SRA's regulation that you would otherwise not carry out?

39) On a scale of 1 to 5 (where 1 is strongly disagree and 5 is strongly agree), to what extent do you agree with the following statement

	1	**2**	**3**	**4**	**5**	**Don't know**
OFR makes it clear what outcomes the SRA expects your firm to deliver to your clients						

40) On a scale of 1 to 5 (where 1 is strongly disagree and 5 is strongly agree), to what extent do you agree with the following statements

	1	**2**	**3**	**4**	**5**	**Don't know**
SRA enforcement acts as a credible deterrent to non-compliance with OFR for your firm						
SRA enforcement acts as a credible deterrent to non-compliance with OFR for other firms in your industry						

Flexibility offered by OFR

41) To what extent has your firm already taken advantage of the greater flexibility offered by OFR?

( ) To a great extent

( ) To some extent

( ) Not at all

( ) Don't know

42) To what extent will your firm take advantage of the greater flexibility offered by OFR in the future?

( ) To a great extent

( ) To some extent

( ) Not at all

( ) Don't know

43) Why do you say that your firm has not/won't take advantage of this [if answered not at all in Q41 and/or Q42]

Please select all that apply

[ ] Don't believe OFR is more flexible

[ ] It would cost too much

[ ] We don't have time

[ ] We are already compliant

[ ] Don't understand how we could take advantage of greater flexibility

[ ] Don't understand OFR

[ ] Don't know

[ ] Other (please specify)

44) How are you, or will you, take advantage of this greater flexibility? [if answered to a great extent or to some extent in Q41 and/or Q42]

Please select all that apply

[ ] To reduce costs

[ ] To introduce new services

[ ] To change business structure

[ ] To be more innovative in the ways you meet the needs of your clients

[ ] Don't know

[ ] Other (please specify)

Favourability of Regulatory Management and OFR

45) On a scale of 1 to 5 (where 1 is very unfavourable and 5 is very favourable), how favourable are you towards Regulatory Management and OFR?

	1	2	3	4	5	Don't know
Regulatory Management						
OFR						

Any other comments

Thank you for taking part in this survey. Please provide any other comments you would like to make in the space below

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Thank You

Thank you for taking our survey. Your response is very important to us.