

The Law Society of England and Wales

The Law Society of England and Wales undertook a series of steps to adapt to the changing legal market and economic landscape in 2014, including on:

1. Legal Aid
2. Alternative Business Structures
3. Outcomes Focused Regulation
4. Education and Training
5. Professional Indemnity Insurance
6. QASA
7. AML

1. Legal Aid

Criminal legal aid

- Following the significant cuts to the civil legal aid, the main concern in 2014 has been over criminal legal aid.
- Following two consultations and extensive negotiations with the Law Society, the Government agreed to drop their plans for price competitive tendering in criminal legal aid and published their final plans for the 'reform' of criminal legal aid in February 2014. Following further discussions with the Law Society some additional concessions were achieved in the fee structures and the size of the procurement areas, however the original fee cut of 17.5% - in two stages of 8.75% each – and the dual contracts remained unchanged.
- Independent research reports by Otterburn Legal Consulting and KPMG (commissioned by the Law Society and the MoJ) were published alongside the Government response. Both of these showed that the fee cuts will have a serious impact on firms, and the KPMG report showed that there are several areas where – on the basis of the evidence available – the MoJ model will simply not work, and others where there will be significant challenges in making it work. KPMG recommended 'further investigation' in those areas.
- Following the successful judicial review by the Criminal Law Solicitors' Association (CLSA) and London Criminal Courts Solicitors Association (LCCSA) in September 2014, the MoJ was obliged to issue a separate consultation on the two research reports by Otterburn Legal Consulting and KPMG.
- In our response to this consultation we raised grave concerns that the proposed scheme fails to meet the ministry's own objectives of ensuring that any future criminal legal aid scheme must be sustainable for future tendering rounds. The Society called on the Government to withdraw the proposals as we believe the scheme will be potentially disastrous for the criminal legal aid market. The MoJ responded to the consultation on 27 November, at the same time as opening the tender for the crime contracts. Very few changes were made to the MoJ's original model.

The Law Society's position

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- We have launched a Judicial Review of the Lord Chancellor's decision to press ahead with the reforms, as we believe that the model proposed by the Government fails to meet their own criteria of sustainability, and of ensuring sufficient numbers of crime providers in the market.
- We believe that the Justice Secretary failed to take account of warnings set out in the KPMG report, about the lack of availability of investment and financing needed by solicitor firms, and the speed of market consolidation required to meet the timetable set out by government.
- We believe that the cost to society, caused by possible market failure as a result of this process, would be devastating. If the government's plan goes ahead, the most vulnerable in our society will be hit the hardest. The damage to the livelihoods of those who undertake this vital work will be irreversible, leaving huge swathes of the country with no legal representation.

What is the Law Society doing?

- The Society has launched a Judicial Review of the Lord Chancellor's decision to press ahead with the reforms, alongside separate JR proceedings issued by the CLSA and LCCSA. Both JR's were heard in a rolled up hearing from 15/01/15 to 19/01/15. We have worked closely with the groups on the JR. The judgement is expected at the end of January / early February.
- The tender process has been suspended pending the outcome of the JR, following a request for interim relief by the Groups, which was supported by the Law Society. The MoJ has said that should the tender go ahead, they will set the closing date for any resumed tender by reference to the period of suspension of the tender process, thereby maintaining a nine week window for the tender. It is unclear whether the intended service commencement date will also be delayed, although at present it remains as 1 October 2015.
- The grounds for our JR focus on:
 - the Lord Chancellor's failure to properly take into account / understand the warnings in the KPMG report about the need for further analysis to be undertaken, and
 - their findings about the difficulties of rapid market restructuring and consolidation;
 - The Lord Chancellor Failed to undertake any analysis of the cost of restructuring and consolidation;
 - He failed to provide an executable model of the KPMG analysis that consultees could use to test the conclusions.

Civil legal aid

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Civil legal aid has been substantially reduced by The Legal Aid Sentencing and Punishment of Offenders Act (LASPO) and the Transforming Legal Aid programme.

- We produced briefings for the parliamentary debates on Transforming Legal Aid and for the Justice Committee where we also presented oral evidence. We submitted written evidence to the Joint Committee on Human Rights which considered the human rights implications of the proposals and reported significant concerns about the residence test and the prison law scope cuts. We have also submitted evidence to the Justice Select Committee inquiry into the civil legal aid changes, as well as inquiries into legal aid by the National Audit Office and the parliamentary Public Accounts Committee.
- The Law Society supported the judicial review challenge brought by the Public Law Project where the Court found that the residence test is both ultra vires and unlawfully discriminatory. Although an MOJ appeal is pending, the judgment has forced the MOJ postpone the implementation of the test.
- The Society supported an application by the Public Law Project for permission to judicially review the 'at risk' legal aid funding' regulations for judicial review permission applications. Permission has been granted and the substantive hearing was heard in December, judgment was reserved.
- We supported a successful JR application by the Public Law Project in the case of Guadanaviciene & Ors where the Court found that the Exceptional Case Funding regulations are unduly restrictive. The MOJ appealed and the appeal was heard at the end of October, but the Court of Appeal upheld the High Court's finding of unlawfulness. There will also be a substantive hearing on the 'systemic issues' arising from the case of IS which is being supported by the Society..
- We supported a judicial review application by Rights of Women challenging the restrictive nature of the regulations that set of the circumstances when victims of domestic violence are eligible for legal aid for family disputes. Regrettably the High Court recently upheld the lawfulness of the regulations. An appeal is under consideration.
- We engaged with the Low Commission which looked at the future of social welfare law provision, and submitted a response to the Commission's consultation report. We are broadly supportive of the Low Commission's final recommendations. We also submitted evidence to the JUSTICE inquiry into 'delivering civil justice in an age of austerity
- We held seminars with Justice and the Human Rights Lawyers Association on the challenges facing civil legal aid and the judicial review funding changes.

Access to Justice Campaign

In September 2014 the Society launched its 'Access to Justice Campaign' as one of the key campaigns of Law Society President, Andrew Caplen's presidential year.

We held an 'Access to Justice' day on 8 September at which Andrew Caplen announced the Society's 'Access to Justice Campaign. The campaign includes pro-bono and civil costs issues as well as legal aid and is based around three key themes:

- Raise public awareness of lawyer-aided access to justice issues. and dispelling negative myths about lawyers.

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- Persuade policy-makers of the need to amend Parts One *and* Two of the Legal Aid, Sentencing and Punishment of Offenders Act.
- Encourage our members to make their services more available to the public.

The campaign includes work on a number of specific projects including:

- Seeking political commitment to no further legal aid cuts, and to seek targeted restoration of legal aid in key areas such as housing/welfare benefits and initial family advice.
- Measures to assist litigants family litigants in person
- Extension of our unbundling practice note to include civil law generally
- Polluter pays measures such as one way costs shifting in the Social Welfare Tribunal
- An 'Innovation Fund' that could assist providers to offer new ways of delivering services.
- We are arranging a series of regional focus groups to obtain feedback from the profession on legal aid, civil costs and pro-bono issues. The first session took place in Cambridge on 4 December 2014 and further dates in February and March have been arranged.

2. Alternative Business Structures

What is the issue?

The SRA began licensing ABSs in early 2012. The impact of ABSs is still to be truly felt and there has not, as yet, been a major impact on the English and Welsh legal services market.

Law Society position

We believe that ABSs provide opportunities. There seem to be varying opinions within the profession between those who view ABSs as a threat, those who believe ABSs will offer new opportunities for well-run firms and those who think ABS will not make much difference. We have seen that many of the ABSs created are not new entrants but solicitor firms converting to ABSs. ABSs provide an opportunity for existing firms, allowing them to form tie ups with other professionals, promote non-solicitors to partner level and seek outside investment to grow their business.

Current state of play

- ABS licensed by the SRA include:
 - large new entrants like Co-op
 - existing firms tying up with other service providers e.g. wealth management firms
 - firms seeking external investment from private equity firms or individuals
 - firms wishing to promote non-lawyers to partnership level
 - firms listed on stock exchange

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- claims management firms.
- The approach insurers will take to the various different types of ABS is still unclear and will develop on a case-by-case basis. We and the insurers have asked for greater clarification from the SRA about how PII requirements will work if there are multiple regulators involved, e.g. a multi disciplinary practice with different professionals. The SRA has said that the scope of regulated activities will be made clear as part of the ABS' licence conditions.
- The Legal Services Board have agreed proposed changes to allow firms regulated by the ICAEW or FCA to become regulated as MDPs by the SRA without the all the legal work carried out by the firm falling under SRA regulation.
- The changes have meant there have been two new entrants into the market, EY and KPMG, and, given the size of some of the potential new entrants this may have a significant impact on the market.
- The SRA are now looking at relaxing the separate business rule, in part to create a more level playing field between ABSs and non-ABSs, as a high percentage of ABSs have received waivers from this rule.
- Legal zoom have recently obtained an ABS licence
- Canadian law professor, Jasminka Kalajdzic, recently released a report stating that ABSs in Australia and the UK had been successful in branding, using new technologies, achieving economies of scale and increasing the number of personal injury claims but there was no proof that they have led to a reduction in the cost of legal services or the rate of self-representation¹.

What are we doing?

- We are keen to hear practitioner's thoughts on how they are faring in the world of ABSs and how we can best support them.
- ABSs represent a diverse group of organisations. From existing firms forming tie ups with other professionals, promoting non-solicitors to partner level and seeking outside investment to grow their business, to new entrants to the market, such as the Co-op. This is confirmed by the SRA's research
- Much of the guidance targeted at the various existing segments of the market e.g. small firms, top 100 and at accreditation schemes related to various specialities will be relevant to ABSs.
- We provide guidance to those considering setting up an ABS on our website, via practice notes and through our publications.

3. Outcomes Focused Regulation (OFR)

¹ [Link](#) to Law Society Gazette article.

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What is the issue?

The SRA implemented a new risk based and outcomes-focused approach (OFR) to regulation in October 2011.

What are we doing?

We have been monitoring developments since the implementation of OFR. In summary:

- Proportionate regulation: In May 2014, the SRA set out its plans for a wide-ranging programme of work to improve the regulation of solicitors and firms in a policy statement: [Approach to Regulation and its Reform](#). We have responded to the various consultations emerging from this programme (on eligibility criteria for Compensation Arrangements; [Multi-disciplinary practices](#); changes to minimum compulsory professional indemnity cover and changes to reporting accounting requirements). Our responses can be found here: <http://www.lawsociety.org.uk/support-services/risk-compliance/regulation/representing-your-views-on-regulation/>
- Cutting regulatory red tape – We responded to the SRA's 'Red Tape Initiative' consultations to lobby for the removal of unnecessary regulations and the simplification of regulatory processes where possible. This SRA initiative is part of its continuing commitment to regularly review its regulatory processes and procedures to ensure that they are not overly prescriptive or unnecessarily burdensome. We continue to monitor developments in this area. Our responses to the various consultations under this initiative can be found here: www.lawsociety.org.uk/representation/articles/cutting-regulatory-red-tape/
- Compliance Officers – All recognised and licensed bodies have been required to have in place a compliance officer for legal practice (COLP) and a compliance officer for finance and administration (COFA). We have provided guidance to for COLPs and COFAs and run a Risk and Compliance Service which can provide consultancy services to firms in respect of compliance matters.

Law Society guidance and support includes information on the website and practice notes to the profession on OFR-related issues:

- [The Compliance Officer \(practice note\)](#)
- [Outcomes-focused regulation: overview \(practice note\)](#)

Services are also provided through the Law Society's Practice Advice Service, the Risk & Compliance Service, e-learning packages, seminars and training courses.

4. Education and Training

What is the issue?

In October 2013, in response to the Legal Education Training Review Report, the SRA issued a policy statement setting out a full programme of reform in its approach to education and training

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as 'Training for Tomorrow' (T4T). Its aim is to provide improved and more flexible ways of qualifying.

In February 2014, it began with a consultation on the future of CPD, moving from the current system of CPD compliance to what it has flagged as 'continuing competence'. This new system will be open to early adopters from April 2015, with all solicitors expected to move across by November 2016. A toolkit for the new scheme will be available by April 2015.

The consultation on a Competence Statement for all solicitors which will set out 'day one' outcomes but also be used as a marker of competence for all solicitors closed on 12 January 2015. The Statement is expected to be published in spring 2015. The SRA is currently looking at how the Statement will be assessed, with a consultation expected in late 2015. Early thinking has already been discussed with the Law Society and other stakeholders, with the possibility of a centralised examination being one of the options.

Current state of play

The Law Society supports the basic aim of the SRA's programme. We are continuing to engage with the profession and with the SRA to present the profession's views. Prior to responding to the continuing competence consultation, for example, an online member survey was undertaken for the profession's views on CPD. The key elements are:

- Support for alternative routes into the profession so long as they meet the current high standards. Guidance will likely be required for the profession on what good practice looks like and messaging must be right for the public if they are to continue to have confidence in quality standards.
- Lobbying for the inclusion of ethics training in the undergraduate degree as the report suggests only that such training should be included in the later stages.
- Support for measures that will improve access to the profession, including around social mobility, such as apprenticeships being developed as a possible route to qualification.
- Concern about the potential for the CPD proposals being perceived to be a retrograde step, particularly given the lack of clarity over the SRA's enforcement approach.

What are we doing?

The Law Society has engaged with the profession to represent their views to the research team and the regulators – our online survey on CPD had nearly 500 responses. We are always looking at how best to continue with this engagement.

We are continuing to meet with the regulators regarding the way in which education and training is evolving and have had the opportunity to engage with the SRA at an early stage around possible methods of assessment for the Competency Statement.

5. Professional Indemnity Insurance (PII)

Introduction

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Holding qualifying insurance is a regulatory requirement for firms. Cost of PII and capacity in the small firms sector in particular have been issues for many firms. Market conditions in the past have encouraged poorly rated and unrated insurers to enter the market through EU passporting arrangements and to come and go, sometimes with drastic consequences when they have become insolvent, leaving firms without cover and the risk of closure. In recent years, the cost of PII has remained stable and we have seen new rated insurer entry.

Law Society Position

We are committed to working with our stakeholders to establish a sustainable, stable and long-term market for solicitors' PII. The Society has encouraged the SRA to carry out a proper analysis of why there has been instability and lack of sustained entry by rated insurers.

Issue: ratings and insurer solvency

To seek to address the problem of unplanned insurer exit, in February 2014, the SRA proposed to introduce a financial strength rating requirement for participating insurers. Following consultation, the SRA announced on 7 May 2014 its decision not to go ahead with its proposal at that time.

Law Society Position

- The Law Society did not support this proposal as it failed to address unplanned insurer exit and contributed to a lack of stability in the market. It could have increased costs and forced firms unable to find insurance to close. It would have had a disproportionate impact on small firms and on diversity, since small firms are heavily represented by black, Asian and minority ethnic firms, female-led firms and partners approaching retirement.
- The Society hopes that the strengthened EU regulatory regime of Solvency II, to be implemented in January 2016, will remove the threat of insurer solvency in this market.
- Our advice to firms remains 'buyer beware' - consider carefully the financial strength of the insurer when purchasing PII and the consequences for you if the insurer fails.

Issue: to help manage capacity and the risk of failure to obtain PII

In 2013, the rules were changed to remove the requirement that solicitors' PII policies must begin on 1 October and cease on 30 September. Insurers are now able to offer policies of variable duration. Take up was slow in the first year - around 4 per cent of firms. It is expected to have increased this year as firms have become accustomed to it and the business planning flexibility arrangements it offers.

Law Society Position

We supported variable renewal dates for the advantages it offers firms, such as avoiding the concentrated demand for capacity in the limited September renewal window which risks failure to renew. We have issued guidance to firms on how to use this new facility to their advantage.

Issue: reform of client financial protections (PII and the Compensation Fund)

On 7 May 2014, the SRA published proposals for regulatory changes to PII and the Compensation Fund. The SRA argued these changes would result in greater access for socially

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disadvantaged consumers excluded from legal services through cost savings for firms. The SRA intended approval to be granted by the Legal Services Board (LSB) by early August 2014 with the intention that new terms come into effect on 1 October 2014. The proposals were:

- Lowering the level of compulsory PII cover to £500,000 (from £2m or £3m for larger entities) coupled with the introduction of a new regulatory Outcome which requires firms to assess and purchase an appropriate level of PII;
- An aggregation cap on insurers' exposure;
- Excluding larger entities from PII cover; and
- Reducing run-off cover from six years to three.
- For the Compensation Fund changes, the SRA proposed a similar exclusion for larger entities from eligibility for grants paid out from the fund.

Despite the proposals generating widespread opposition from the profession and from other key stakeholders - insurers, brokers and lenders - on 14 July 2014, the SRA put in an application to the LSB for the reduced compulsory level of cover and the new Outcome. The SRA put on hold the remaining proposals while it issued a call for evidence with the object of informing its further work on client financial protection to be announced in the spring of 2015.

The LSB extended the timetable to consider the complex arguments for and against the proposals. On 26 November 2014, the LSB rejected the £500,000 proposal but approved the new Outcome. The LSB turned down the proposed reduction in cover on the grounds that the SRA had not provided evidence and data to demonstrate that it would meet the regulatory objectives of the Legal Services Act 2007.

Law Society Position

The Law Society was strongly opposed to all the SRA's proposed changes which we believe to be based on misunderstandings:

- that PII works on a 'claims made' basis so that the insurer currently providing cover is liable for claims about mistakes and omissions which occurred historically, and
- of how PII and the existing client protections work holistically.

The Society successfully lobbied the LSB not to approve the rule changes. Our preference was for the SRA to withdraw the application to enable the proposals to be considered within the call for evidence. We argued that the client protections should be considered in the round so that no unintended consequences result and that all changes should be properly researched, consulted upon and be evidence-based before decisions are taken. In our view, this had not been done because:

- The SRA did not provide supporting evidence and data to justify the changes or for the benefits it expected to flow from them.
- The SRA banked on LSB rule approval by August 2014. A decision, the outcome of which was not predictable, at such a late stage in the run up to renewal, left tremendous uncertainty for firms, insurers and brokers (causing financial regulatory problems for the latter two).
- The lending institutions indicated that they would insist on cover to a much greater level than required under the SRA's proposals, without which firms would not be able to continue lender panel work for conveyancing transactions. There was no guarantee that insurers would produce suitable new top-up products in time for in the run-up to the 1

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October renewal. New top up products are likely to be expensive and we feared would raise the overall cost of PII for firms than the current compulsory PII package.

- In response to the SRA's call for evidence, the Society stated that it is for the SRA to justify and have evidence to support the case for changes it wants to make and to ensure that these improve, rather than weaken, the existing client financial protections. We suggested ways in which the SRA might improve the way it carries out its regulatory functions to avoid or mitigate risks and PII claims arising and provided a number of suggestions of the type of evidence the SRA should be seeking or commissioning.

The October 2014 renewal

Since May, the Law Society reminded firms of the need not to delay renewal preparations. In the run-up to the 30 September deadline for renewal, we urged firms not to wait until the last minute, when capacity might be scarce and prices higher.

Despite the uncertainty of whether the SRA's rule change application to the LSB would be approved or declined prior to the October 2014 renewal, very few firms - 49 - failed to renew their policies. Some of these would have had plans to close for other reasons such as selling their business or retirement of partners.

Anecdotal evidence suggests that unrated insurers have lost market share. This is attributable to (a) the Law Society message of 'buyer beware' having got through to firms; (b) market forces, namely, new rated capacity entering the market; and crucially, (c) fear that lending institutions will remove firms insured with unrated insurers from their panels.

The Society annual PII survey is currently underway. The results quantifying these and other developments, such as the take-up of variable renewal policies, will be published in March.

Issue: cessation cover, retirement costs and barriers for firms

It is a regulatory requirement to purchase six-year run-off cover when closing a firm in order to provide cover for claims that might arise for work carried out historically. The high cost of run-off cover (typically twice or three times the size of annual PII premiums) generally can be a barrier to retirement for solicitors unable to sell their firm. Insurers have to provide this cover but dislike it as they have to take on unknown risks which might not emerge for a few years, regardless of whether the closing firm has paid its premium. In addition, there is a historic fund created by the profession which offers post six year run-off cover and which is soon to expire.

Law Society Position

The Law Society opposes any reduction of compulsory run-off cover. We recognise however that the current arrangements merit review. We are embarking on identification of possible alternative models and their viability for a new additional run-off fund, funded perhaps by a premium on PII premiums or contributions by the profession.

6. Quality Assurance Scheme for Advocacy (Crime) – QASA

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The regulators of solicitors, barristers and legal executives have established a scheme whereby advocates in criminal cases must be accredited at the level of the case. The judges are to be involved in assessing the competence of individual advocates.

The Law Society's Position

The Law Society is committed to improving advocacy. However, we think QASA, which has been devised by the Joint Advocacy Group (JAG—the SRA, Bar Standards Board and ILEX Professional Standards Board), is disproportionate to the nature of the problem, bureaucratic and burdensome.

We have strong reservations about judicial evaluation, including the concern that relying on judicial evaluation for advocates undertaking trial work in the Crown Court will prove unfavourable to solicitor advocates compared to barristers.

The Law Society retains its reservations about QASA, but will work to support all solicitors who will be affected by the scheme.

Current state of play

- On 9 May 2014, the Court of Appeal granted permission to appeal the Administrative Court's judicial review decision of 20 January 2014. The Court of Appeal (Tomlinson and Briggs LLJ) was persuaded that each of the nine grounds is arguable (including the proportionality grounds based on arguments raised in the Administrative Court by the Law Society) and ordered that part of the scheme is to be stayed until the end of the appeal.
- The part of the scheme affected is in relation to the **compulsory** registration of trial advocates at level 2 or above and the use of judicial evaluation. Levels 1 and 2 non-trial advocates are not affected by the stay and those advocates who have already registered may be assessed by assessment centre. Registration at level 2 (trial advocates) and levels 3 and 4 will be voluntary, and the LSB, JAG and professional bodies and regulators may continue to prepare for implementation in relation to level 2 trial advocates and advocates at levels 3 and 4.
- Costs have been capped at £65,000 and there are to be no orders for costs either for or against the BSB or SRA.
- On 22 May 2014, the SRA announced that advocates need not register until further notice (including advocates in the Midland and Western Circuits, which are already open for registration) and that not registering will not amount to a breach of the relevant regulation.
- Because of this uncertainty about the structure and future of the scheme, the Council has been reluctant to provide information for solicitor advocates on QASA lest the impression be given that the Society supports the scheme. The Society will need to consider the advice and guidance it can offer practitioners: it is likely to take the form of a Practice Note explaining the registration process and a webinar.

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- The Court of Appeal handed down its judgment on 7 October 2014. The claimants' appeal was dismissed on all grounds. The Court decided that QASA was not unlawful. It acknowledged that QASA is "*a controversial scheme on which opinions are sharply divided*," but went on to say that it is "*no part*" of the Court's function to express a view on the merits of scheme. The Court added that opponents of QASA could take some comfort from the fact that the scheme will be reviewed after two years.
- Following the decision, the SRA announced on 7 October that it will consider the judgment and issue information about a revised timetable for registration "shortly".
- An application for leave to appeal the Court of Appeal judgment was filed in the Supreme Court in December 2014. A hearing date is yet to be scheduled.

What is the Law Society doing to assist the profession?

- The Law Society has drafted two Practice Notes to assist the profession. These Practice Notes have not yet been published. We will review these Practice Notes once the SRA has issued further information and a revised timetable for registration.
- The Law Society has consistently made robust representations about QASA to the SRA. Working alongside practitioners, we have won significant concessions to reduce the potential negative impact for solicitor advocates; many of whom conduct plea-only work.
- The Law Society pressed both the SRA and the LSB to postpone the implementation of QASA because of the confusion over which firms will hold legal aid contracts from 2014 if the Government proceeds with the introduction of PCT.
- In 2012, the Law Society established the Advocacy Section and introduced training courses for solicitor advocates.
- The Law Society working with the Advocacy Section and the SRA to ensure there is suitable guidance for those affected in the 'first wave'. This will be produced once we have clarity from SRA on process.
- The Law Society has drafted two Practice Notes. The first explains the process and was agreed with the SRA in 2013. The second Practice Note explains practitioners of the risks they run if they do not register with the SRA in accordance with QASA.

7. Anti-Money Laundering

What is the issue?

- Anti-money laundering (AML) obligations apply to all solicitors in England and Wales. Failure to comply with these obligations is a criminal offence for the individual solicitor and brings the profession into disrepute.

Law Society position

- Compliance with money laundering obligations is one of the greatest challenges for solicitors in the UK today. The Law Society is committed to assisting solicitors meet

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those obligations and provide a robust defence against money launderers attempting to abuse our professional services.

- All AML obligations imposed upon solicitors must be clear, workable, and proportionate, while protecting legal professional privilege.

Fourth European Money Laundering Directive

- The European Commission released the draft of the 4th European Money Laundering Directive in early 2013. Key changes proposed in the new directive include:
 - law firms will be required to have written risk assessments, policies and procedures as well as a process for testing their effectiveness;
 - the extension of enhanced due diligence for politically exposed persons (PEPs).
- The changes to UK law are likely to take place in 2016 with draft proposals expected in late 2015.
- The Law Society's two main areas of concern with the proposals are changes to the due diligence requirements for pooled client accounts and new data protection measures requiring the premature destruction of documents.
- We drafted several amendments to the directive text allaying many of our concerns, some of which were supported by a majority of MEPs and, as a result, included in the final version of the parliament text.
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- It is not yet known whether our amendments were supported during the final 'Trilogue' negotiations (between the EU Parliament, EU Commission and EU Member States) from which the final text of the directive will emerge.
- The final EU parliament vote on the directive will take place in February. After this vote the directive will become law and Member States will have two years in which to implement the changes in their own respective laws.
- Our next lobbying focus with respect to this directive will be on HM Treasury who will be the department leading on its implementation in the UK.