

## Annex B: Impact assessment

### Impact of our proposals

1. Our initial assessment of the impact of the changes on firms is that they are likely to have a generally positive effect across the board, although they will be of most benefit to smaller firms and those who are applying to be licensed, where the range of authorisation proposals will streamline the process and reduce the time taken to approve applications. Other proposals are clarifications of the SRA's current position, and may be useful to a wide range of stakeholders. The inclusion of the Apprenticeship Route to qualification, which reflects the SRA's commitment to increase flexibility within the system of legal education and training, may encourage diversity and social mobility over time – however that is inevitably speculative at this stage.
2. We have not identified any obvious, or significant, negative impacts to these proposals. However, as noted in the consultation document we welcome views from stakeholders, and would welcome the provision of information, data and evidence from stakeholders to assist us in preparing a final impact assessment.
3. In terms of consumer impact, we consider that, cumulatively, these proposed changes have indirect (and in the case of the use of third party managed accounts, direct) benefits for consumers, because they help (albeit in relatively minor ways) to liberalise and deregulate the legal market in ways that support growth and innovation, thereby increasing choice for consumers. We cannot see any obvious or significant diversity impacts that are negative. However, we welcome stakeholder views on the full range of proposals, and their likely impacts, as part of the consultation process.
4. The SRA's initial assessment of each of the changes is set out in **Table 1** below. Consultation question 20 seeks stakeholder views on the SRA's assessment and, as noted above, asks for empirical evidence to assist the SRA in preparing a final impact assessment for this review.

**Table 1: SRA Assessment of Impact**

<b>Proposal</b>	<b>SRA Assessment of Impact</b>
<b>Simplifying compliance officer approval for small firms (1-4 managers)</b>	The SRA considers that this proposal will be of benefit to a significant proportion of small firms and some medium firms. It is a straightforward simplification measure, and will reduce the overall administrative burden on these firms. We are interested in gathering stakeholder views on whether to extend this change to all firms (including ABS), and whether there are any circumstances in which the SRA should continue to assess applications.
<b>Simplify candidate declaration and notification processes</b>	These straightforward changes will benefit all firms applying for authorisation - simplifying the application process, and reducing the time taken to approve applications.
<b>Remove the requirement for firms to carry out reserved legal activities</b>	
<b>ABS Authorisation - operational changes and improvements</b>	The SRA has identified two immediate changes and is consulting on those - both of which are considered to be beneficial to ABS. The SRA has not identified any immediate barriers to implementation, but is interested to gather stakeholder views on our proposals, including any specific concerns from stakeholders. Conversely, we are interested in suggestions from stakeholders regarding areas where we could go further, and remove more of the current requirements, where these are seen to be unnecessary.
<b>Changes to insolvency rules</b>	This is a straightforward rule change, which is required to address an existing gap. We do not anticipate that this will have any impact on firms.

<p><b>Alternatives to client accounts</b></p>	<p>A consistent risk to consumers, and one that is reflected in the number of cases related to the misuse of money or assets, is the misuse of client accounts. The availability of third party managed accounts may offer improved security and protection for consumers. It is up to individual firms whether they wish to provide this service.</p>
<p><b>Guidance on recording of non-material breaches</b></p>	<p>The inclusion of this topic in the consultation reflects the SRA's awareness of some stakeholder confusion in this area. As a result, the SRA is proposing to provide some additional guidance to firms to address this.</p>
<p><b>Clarification on the outsourcing of legal and operational functions</b></p>	<p>Similarly, the SRA proposes to provide some additional guidance to address current confusion regarding the interpretation of this Outcome, but remains open to making changes to this Outcome to provide further clarity, should stakeholders consider that this action is needed.</p>
<p><b>Recording and reporting of diversity data</b></p>	<p>This is a straightforward clarification of the current requirements - there should be no impact on firms, who are already required to record and report this data.</p>
<p><b>The Apprenticeship Route to qualification</b></p>	<p>The inclusion of an Apprenticeship Route to qualification reflects the SRA's commitment to increase flexibility within the system of legal education and training, and to encourage diversity. The minor change to the rule and the glossary merely reflect that approach, and will have no effect on firms.</p>
<p><b>Fee sharing and referrals</b></p>	<p>The SRA is not proposing to make any changes to the rules at this stage, this section of the consultation document seeks to open up debate in this area.</p>