



**SUMMARY OF SRA HANDBOOK CHANGES**

1. The new Code of Conduct has changed from prescriptive rules, supported by guidance, to mandatory Outcomes and non-mandatory Indicative Behaviours. There are ten mandatory **Principles**, which define the ethical and professional standards expected. **Outcomes** are what you are expected to achieve in order to comply with the Principles set out in the Code. **Indicative Behaviours** are examples of behaviours which may establish whether you have achieved the relevant outcomes and, therefore, complied with the Principles. Together, these form the SRA's new Outcomes Focussed Approach, which allows law firms to decide how they wish to achieve the Outcomes.
2. Throughout the new Handbook, the definition of "Solicitor" is changed to "you" and, as such, now includes all Partners and employees of law firms. **This means that law firms will need to train all partners and staff, including support staff, to ensure that they have an appropriate level of understanding of the new Rules.** Such training should be appropriate to their role, ie all staff need to understand that they should keep clients' affairs confidential and behave with integrity; however it is likely that only those in fee earning roles need be aware of the procedures required for checking for conflicts and giving undertakings.
3. The prescriptive list of information which must be provided to a client has been removed and replaced with general Outcomes, giving greater flexibility according to the needs of the client (particularly those who are vulnerable). **In particular, it questions whether standard letters are appropriate, as giving a client so much or such complex information may mean that you have not met the Outcomes that clients are in a position to make an informed decision.**
4. In relation to conflicts of interest, the focus has shifted from specific rules (particularly in respect of conveyancing) to ensuring that **appropriate systems and controls are in place for all types of conflict.**
5. Rules in relation to equality and diversity and management of business have now been elevated to Principles.
6. **Reporting requirements have been extended** and incorporated into a new Principle dealing with co-operating with Regulators and the Ombudsmen.
7. All firms must have a Compliance Officer for Legal Practices (COLP) who must be a lawyer, have sufficient seniority to fulfil the role and be approved by the SRA. The COFA must report any breaches of the Rules (other than the Solicitors Accounts Rules) to the SRA. They must understand their roles and responsibilities, have sufficient resources and be sufficiently trained in compliance issues.
8. All firms must have a Compliance Officer for Finance and Administration (COFA) who must be a manager or employee, have sufficient seniority to fulfil the role and be approved by the SRA. The COFA must report any breaches of the Accounts Rules to the SRA. They must understand their roles and responsibilities, have sufficient resources and be sufficiently trained in compliance issues.



9. The COLP and the COFA may be the same person. Although neither role is solely responsible for compliance (it is seen as a firm-wide responsibility) both the COLP and the COFA are responsible for ensuring that the appropriate systems and controls are in place.
10. Both the COLP and the COFA need to be nominated for SRA approval by 31<sup>st</sup> March 2012 and they will then be authorised from 31<sup>st</sup> October 2012.
11. Any employee of a law firm can now be nominated to authorise withdrawals from Client Account. However, the Rules state that it is essential that such people have an appropriate understanding of the Rules. A written procedure should set out the appropriate person/categories of people who are permitted to authorise such transactions and the acceptable forms of authorisation (ie handwritten signature, electronic signature, email etc).
12. **Electronic signatures/authorities are now permitted for withdrawals from Client Account**, subject to there being appropriate safeguards and controls in place (ie allocation of an individual responsible for performing regular checks to ensure only nominated individuals are authorising withdrawals and that limits are not being exceeded).
13. **Bank Statements may now be retained electronically**. These should be saved into a particular folder on the server and kept in chronological order for auditing purposes and in a format which cannot be altered
14. Providing banking facilities through Client Account is now specifically prohibited. Partners may be asked by the SRA to confirm that they have not done so at the end of each year.
15. When an incorrect (misdirected) payment is received from a client, it will not constitute a breach, provided that:
  - the correct instructions were given the client;
  - it is remedied promptly upon discovery;
  - systems were in place to ensure compliance; and
  - appropriate steps are taken to avoid future errors by the client.
16. **The “de minimis” rule (regarding payment of interest to clients on money held Client Account) has been removed**. Solicitors will now be required to pay interest on all sums of money held on Client Account (or on money that should have been held in Client Account but was not). There are no rates set in the Handbook – the rate should be set which is considered “fair and reasonable” by the law firm and should be regularly reviewed by a nominated person. There must be a written policy on the payment of interest and the terms of the policy must be drawn to the attention of the client (usually at the outset, ie in the Client Care Letter).



17. **If client money is received in a currency other than Sterling, then a separate Client Ledger must be maintained.**
18. **When submitting a bill, the firm must advise the client in writing whether they intend to take the costs from funds held in Client Account or whether a direct payment from the client is required.** If this is not done and there is money held on Client Account, the firm will be regarded as having “earmarked” those funds for payment of the bill and must transfer the funds to Office Account within 14 calendar days. Where costs are not held on account, the wording should state how the payment can be made and the timescale for payment.
19. A new definition for ‘out of scope money’ has been introduced which is money received by a multi-disciplinary practice (ie Solicitors and Accountants) in relation to those activities for which it is not regulated by the SRA.
20. New rules have been introduced in relation to damages and costs monies (made payable to the client) received under the Law Society’s Conditional Fee Agreement and paid into client account. The costs element must be transferred within 14 days.
21. The new rules include Part G - rules 47 to 52 – which relate to the overseas practices (firms having offices outside England and Wales).

The key points identified in the handbook can already be supported in the full use of Norwel *Prescient +* Products including integrated Document Management, Case & Matter Management, Practice Management, Management Information Reporting, Risk Management and Interactive Matter Administration tools. If you require any information regarding the items **highlighted in bold** on this document or indeed any other change under the new OFR’s, please do not hesitate to contact us on [nicola.moore-miller@norwel.co.uk](mailto:nicola.moore-miller@norwel.co.uk)