

LSB Section 32 Directions Proposed Implementation Plan

| DIRECTION | HEADLINE ACTION | EXPECTED SPECIFIC STEPS | IMPACTS | IMPLEMENTATION DATE |
|---|---|---|---|----------------------------|
| GOVERNANCE Put in place governance changes that deliver demonstrable improvement in regulatory effectiveness and efficiency. These changes must result in a regulatory approach that better protects and promotes the public interest and the interests of consumers and promotes and maintains adherence to the professional principles. | | | | |
| 1(a)(i) demonstrate improved Board-level oversight of regulatory risk and intelligence activity, including through a clear reporting cycle to the SRA Audit and Risk Committee and Board, which also allows for the appropriate escalation of risks, | Within 12 months, focused on the regulatory objectives including consumer protection and the public interest, we will have: <ul style="list-style-type: none"> Embedded relevant governance structures, involving appropriate Board oversight and an agreed cadence of regular reporting from the Risk and Intelligence Framework (RIF) through to Audit and Risk Committee (ARC) and Board. This will incorporate existing Risk Management Framework (RMF) reporting activities. | 1. Board to agree clear regular reporting cycle to ensure overview of RIF activities. | Visibility at Board level of risks and topics being discussed, allowing for challenge and discussion. This will allow for appropriate, Board-level oversight of key risk intelligence work. | 1. By end of July 2025 |
| | | 2. Improvements include oversight of RIF arrangements (i.e. reports on the processes adopted, including trials of embedded intelligence staff), updates to the RMF so that Mid-tier Risk Register (MRR) explicitly cover market risks, and regular ARC review of MRR. | By including market risks explicitly in the RMF and within the MRR we will have a formalised way of understanding the widespread footprint of risk across both internal and external perspectives. This will give us a wider understanding of potential risks and any associated harms. | 2. By end of December 2025 |
| 1(a)(ii) implement procedures to assess the impact of regulatory decisions on the public and consumers, and to enable evaluation of the SRA's regulatory effectiveness generally, and | <ul style="list-style-type: none"> Reviewed approaches and implemented updated, proportionate (i.e. not necessarily applying to every decision/action) procedures in respect of (a) regulatory impact assessments; (b) recording key decisions; and (c) evaluation of regulatory effectiveness. | 1. Review and revise as necessary guidance, templates and desk notes on regulatory impact assessments (RIAs), including around incorporating lessons learnt from previous regulatory changes and our assessments of them. | To provide assurance that we are properly considering the impacts of the key decisions that we make and have a robust audit trail. | 1. By end of November 2025 |
| | | 2. Implement updated regulatory impact assessment arrangements, including training. The arrangements will reflect lessons learnt from evaluations. | | 2. By end of April 2026 |

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| 1(a)(iii) ensure consistent, accurate and timely records of all significant governance decisions and regulatory decisions are kept and maintained. | | 3. Review and revise evaluation arrangements within the SRA, including how lessons learnt can be fed back into the decision-making process (we will build on a tiered system to undertaking evaluations. Our arrangements will be proportionate – for example they may include a mix of set-piece evaluations for large-scale regulatory programmes and dip sampling of effectiveness of smaller regulatory actions). | We will develop our approach to monitoring and evaluation to help us to better understand the impact of our work. | 3. By end of November 2025 |
| | | 4. Implement evaluation arrangements. | We will be better anticipating and tracking the impact of our activities, as well as identifying key indicators to gather baseline and monitoring data against. Focussing more on baselining data will help us to monitor the impact of our interventions, particularly from a consumer perspective. | 4. By end of April 2026 |
| | | 1. Review arrangements for ensuring consistent, accurate and timely records of all significant governance decisions and regulatory decisions are kept and maintained. | Improved audit trails of decision making will help support an effective prioritisation process. | 1. By end of November 2025 |
| | | 2. Improve record keeping arrangements and training/guidance as required. | | 2. By end of April 2026 |
| RISK Strengthen risk functions and market intelligence to ensure a proactive and integrated approach to identifying and responding to risk across the legal sector. | | | | |
| 2(a) (i) establish and embed a framework for the ongoing, proactive identification and assessment of risks to consumer interests and the public interest, including those arising from firm structures, | Within twelve months, focused on the regulatory objectives including consumer protection and the public interest, the SRA will have: <ul style="list-style-type: none">Tested, evolved and embedded a strategic approach to risk identification and management. No approach can identify every risk, but this approach will:<ul style="list-style-type: none">Gather insights from across the organisation, and externally, which will allow ‘bottom-up’ intelligence to be captured and marshalledEnable top-down, strategic assessment to identify the | 1. Deliver proactive and integrated approach to identify and respond to risks. Although it won’t identify every risk, by linking to our evolving harms framework, we will be in a stronger position to identify and understand the potential impact of the most important risks. Our supporting work will be focused on spotting patterns, sharing information, and supporting evidence-based decision making. Our new RIF is already in place. | We will be able to identify emerging market risks earlier and, where possible, better understand their potential for harm. This will enable us to drive proactive regulatory actions in areas where we can make the most difference to mitigate the risks identified. | 1. Already in place, but we will continue to evolve our approach – see further steps |
| | | 2. Board to agree Harms Framework, covering all Regulatory Objectives including the impact on consumer interests and the public interest | Consistent assessment of potential market risks and subsequent prioritisation activity in line with regulatory objectives | 2. By end of September 2025 |

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| | <ul style="list-style-type: none"> key risks related to legal services <ul style="list-style-type: none"> Deliver more informed, risk-based decision making. Ensured that all strands of intelligence and risk work, including Horizon Scanning, feed into a single Framework for the identification and management of risk. There will be clear, documented, intelligence flows through the SRA's RIF. | 3. Review of Risk and Data Operating Model. | Options to change organisational structure, capabilities and processes to improve risk identification and management. | 3. By end of March 2026 |
| | | 4. Potential new Risk and Data Operating Model agreed and implemented. | Fit for purpose organisational structure with correct capabilities and processes. | 4. Through 2026 (part of continuous improvement which will continue beyond the 12-month implementation period for these directions) |
| 2(a) (ii) develop risk-based systems and procedures to proactively collect, and analyse market intelligence, including identification and assessment of risks arising from the sale, merger and acquisition of firms, | <ul style="list-style-type: none"> Developed an approach for a Market Risk Assessment (sometimes called a Strategic Risk Assessment) which will be an analysis of the key risks to consumers, the profession and to regulation. Developed plans for the ongoing development of RIF, including by identifying what additional tools and organisational processes are needed to continue to more effectively gather data and intelligence, identify potential risks and insights, and to address potential harm | 1. Establish processes for market risk assessment. | Appropriate and repeatable methodology that can be developed over time. | 1. By end of January 2026 |
| | | 2. Conduct market risk assessment, including reviewing risks arising from firm structures and from the sale/merger/acquisition of firms. | A clear view of market risk that can be identified, allowing for prioritisation and targeted action to reduce risks to the regulatory objectives. This will be a key way of ensuring the 'top down' aspects of understanding risk, and focussing actions on those which might pose the biggest harms to the regulatory objectives. | 2. By end of April 2026 |
| 2(a) (iii) develop effective sharing of market intelligence and regulatory data between internal teams to support timely and efficient authorisation, supervisory and enforcement decisions, | (some of these actions cover more than one requirement, and some requirements are met by a combination of actions – e.g. 2(a)(i) and 2(a)(ii) overlap significantly): | 1. We will revise the Terms of Reference (ToR) for the Risk and Intelligence Governance Group (RIG) to ensure all operational areas are represented at leadership level. The ToR will also be updated to reflect the responsibility of leaders to incorporate market intelligence and data within their decision making, both in contributing to the RIF but also in taking actions away. | This will drive the use of intelligence and insights throughout the SRA. | 1. By end of July 2025 |
| | | 2. To evidence this, we're suggesting that actions captured in the RIF process could be periodically revisited and evaluated for effectiveness and learning lessons, creating a feedback loop. | This is effectively the 'plan – do – check – act' cycle to support continual improvement of our use of data and intelligence to inform actions. | 2. We will trial this by the end of December 2025 |
| | | 3. Risk Analysts will support the operational areas in the | Drive better sharing of relevant information on risks between the | 3. In place by end December 2025 |

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| | | identification and quantification of market risks. | different parts of the organisation. | |
| 2(a) (iv) use market intelligence to inform regulatory approach and policy development, to ensure that they are effective in identifying and acting on risks, and | | 1. We will revise the Terms of Reference for the RIG to ensure all operational areas are represented at leadership level. The ToR will also be updated to highlight explicitly the responsibility of leaders to ensure policy making is informed by market intelligence and data. | This will drive the use of intelligence and insights throughout the SRA. | 1. By end of July 2025 |
| | | 2. Providing risk analyst support to policy development projects, as part of working / steering groups to assist with that read across from RIF and to help with analytical products. | Increasingly evidence led and data driven policy development. This means we will be able to focus our efforts on the most impactful work and reduce the likelihood of unintended consequences. | 2. By end of December 2025 |
| 2(a) (v) demonstrate delivery of all of the above requirements, through internal reporting mechanisms and regular reporting to senior leadership. | | 1. Implement processes for documenting and scoring identified market risks in RMF. | Consistent and repeatable scoring to enable prioritisation to take place. By incorporating the potential for harms into this framework, we will be in a stronger position to ensure that we focus activities on areas with the most Impact. | 1. By end of September 2025 |
| | | 2. Review internal reporting mechanisms (including reporting to senior leadership) for RIF. | Visibility for key internal stakeholders on level of risks and topics being discussed, allowing for challenge and discussion. | 2. By end of November 2025 and end of April 2026 |
| SUPERVISION AUTHORISATION Strengthen the SRA’s authorisation controls to better protect and promote the public interest and the interests of consumers and promote and maintain adherence to the professional principles, to address the concentration of ownership, compliance and management roles in one individual. | | | | |
| 3(a) Revise its regulatory arrangements and guidance to put in place an effective risk-based approach to protect consumers and the public from potential harm arising from a single individual holding more than one role in a firm or other authorised body e.g. owner, manager, compliance officer for legal practice, compliance officer for finance and administration, and money laundering compliance officer. | Within twelve months, focused on the regulatory objectives including consumer protection and the public interest, the SRA will have: <ul style="list-style-type: none">Where reasonably possible and proportionate, made changes to our regulatory arrangements, and / or guidance, in respect of an individual being able to hold | 1. Finalise policy position and proposed solution. Draft any proposed rule changes. Prepare consultation. | Make sure that, informed by evidence and insights, policy proposals will be effective at addressing risk in a proportionate and targeted way - delivering against the direction. | 1. By end of October 2025 |
| | | 2. Board approval to consult on any proposed rule changes. | | 2. By end of October 2025 |
| | | | | 3. Consultation on any proposed rule changes. |

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| | <div>multiple ownership, management and compliance roles to mitigate risks associated with concentration of roles held by single individuals.</div> <div><div>Developed a project plan for rolling-out changes</div></div> | 4. Evaluate consultation response. | whether stakeholders think they will deliver the stated policy intention. | 4. Between February – May 2026 |
| | | 5. Board agrees positions and makes any necessary rule change(s) | Key governance step | 5. By end of May 2026 |
| | | 6. Set initial project plan for future implementation of rules, including plan for retrospective application to those previously authorised | Step to identify what is required for affected firms and the SRA to be ready to successfully implement changes, informing actions and timings | 6. By end of May 2026 |
| | | 7. Submit LSB application. | Key governance step. | 7. By end of May 2026 |
| | | 8. LSB evaluation of rules change (90-day estimate) | | 8. By end of August 2026 (Assumes 90 days) |
| | | 9. Set refined project plan for future implementation of rules, including plan for retrospective application to those previously authorised | Step for detailed plan setting out actions required to support successful implementation. | 9. By end of September 2026 |
| | | <div>SUPERVISION</div> <div>CLIENT MONEY</div> <div>Strengthen the regulation of client money to better protect and promote the public interest and the interests of consumers and promote and maintain adherence to the professional principles.</div> | | |
| <div>4(a) (i) use an effective risk-based approach to assess the potential for consumer or market harm arising from firms’ financial stability, including where appropriate through obtaining and reviewing firms’ financial and accounting information, and</div> | <div>Within twelve months, focused on the regulatory objectives including consumer protection and the public interest, the SRA will have:</div> <div><div>Reviewed the harms that can flow from firms’ financial stability, and made proportionate changes to our arrangements as appropriate, for example potentially by updating firms’ obligations to supply us with relevant information.</div></div> <div><div>Made changes to our regulatory arrangements and developed an implementation plan and set a go-live date for an enhanced approach to the information that is received from law firms that hold client money through the annual reporting accountant process including:</div></div> | 1. Establish and conduct review of potential harms related to financial stability of firms. | Ensures a better understanding of the issues, informed by evidence and insights. | 1. By end of January 2026 |
| | | 2. Identify any relevant changes to processes and/or regulatory arrangements. | Make sure that, informed by evidence and insights, changes will be effective at addressing risk in a proportionate and targeted way - delivering against the direction | 2. By end of April 2026 |
| | | 3. Implement any internal changes. | Detailed plan setting out actions required to successfully implement. | 3. Delivery date to be confirmed once review complete and changes identified – some changes may be beyond 12-month period |
| | | 4. If the review identifies changes to regulatory arrangements, then set plan for finalising policy position/proposed solution/draft rules and consultation/Board approval thereof/consultation/evaluation of responses/Board making rules/submission to LSB etc once review complete. | | 4. By end of May 2026 |

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| 4(a) (ii) ensure firms have effective safeguards to protect client money. | <ul style="list-style-type: none">Intelligence that will identify firms who are not getting an annual report as required, supported by a robust monitoring processGreater clarity about the indicators of risk to client money that it requires reporting accountants to look for and report (articulated through updated guidance and templates) | 1. Finalise policy position, proposed solution. Draft any proposed rule changes. Prepare consultation. | Make sure that, informed by evidence and insights, policy proposals will be effective at addressing risk in a proportionate and targeted way - delivering against the direction. | 1. By end of October 2025 |
| | | 2. Board approval to consult on any proposed rule changes. | | 2. By end of October 2025 |
| | | 3. Consultation on proposed rule changes. | Help us understand potential impact of draft rules including whether stakeholders think they will deliver stated policy intention. | 3. Between December 2025 – February 2026 |
| | | 4. Evaluate consultation response. | | 4. Between February – May 2026 |
| | | 5. Board agrees positions and makes any necessary rule change(s). | Key governance step. | 5. By end of May 2026 |
| | <ul style="list-style-type: none">Following the completion of our “Client money in legal services - safeguarding consumers and providing redress” consultation process, defined implementation plans for changes to controls, checks and balances around client money within law firms as appropriate | 6. Set initial project plan for future implementation of rules. | Step to identify what is required for affected firms, reporting accountants and the SRA to be ready to successfully implement changes, informing actions and timings. | 6. By end of May 2026 |
| | | 7. Submit LSB application. | Key governance step. | 7. By end of May 2026 |
| | | 8. LSB evaluation of rules change (90-day estimate). | | 8. By end of August 2026 |
| | | 9. Set refined project plan for future implementation of rules | Detailed plan setting out actions required to successfully implement. | 9. By end of August 2026 |
| SUPERVISION SALES, MERGERS AND ACQUISITIONS Introduce oversight mechanisms for firm consolidation activity to better protect and promote the public interest and the interests of consumers and promote and maintain adherence to the professional principles. | | | | |
| 5(a) (i) put in place measures to enable more effective risk-based scrutiny of firms undergoing sale, merger or acquisition, including where relevant ensuring that the SRA receives advance notice of such activities, | Within twelve months, focused on the regulatory objectives including consumer protection and the public interest, the SRA will have: <ul style="list-style-type: none">Identified arrangements specifying the circumstances in which firms must notify us when they are undertaking activity that will significantly change their profile including because of sale, merger and acquisitions, and when they must notify us. | 1. Develop initial policy options around potential risk indicators and notification requirements. | Make sure that, informed by evidence and insights, we have policy options that can be effective at addressing risk in a proportionate and targeted way - delivering against the direction. | 1. By end of October 2025 |
| | | 2. Identify any rule changes needed, draft rule changes. Prepare consultation. | | 2. By end of October 2025 |
| | | 3. Implement any appropriate internal process improvements | Make internal changes that will have immediate benefits if possible and appropriate (subject to capacity and capability). | 3. By end of April 2026 |
| | | 4. Finalise policy position. Confirm proposed rule changes. Prepare consultation. | Make sure that, informed by evidence and insights, we have policy options that can be | 4. By end of May 2026. |

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| | <ul style="list-style-type: none">Identified arrangements and processes providing for how we will scrutinise the changes firms are undertaking, where proportionate, based on reported and known risk indicators.Identified an appropriate approach to prioritise our actions based on risk and indicators of risk and have clear plans for implementing changes as soon as practicable. | | effective at addressing risk in a proportionate and targeted way - delivering against the direction | |
| 5(a) (ii) proactively use its powers, including for inspection and provision of information, where sale, merger or acquisition of firms presents or may present serious risk to consumers, including to enable an informed assessment of that risk to be made, and | | 5. Board approval to consult on any proposed rule changes. | Key governance step | 5. By end of May 2026 |
| | | 6. Set initial project plan for future development of policy positions to include developing resource and expertise needed | Step to identify what is required to reach final policy positions and for affected firms and the SRA to be ready to successfully implement changes, informing actions and timings. | 6. By end of May 2026 |
| | | 7. Consultation on proposed rule changes | Help us understand potential impact of draft rules including whether stakeholders think they will deliver stated policy intention | 7. Between Jun - Jul 2026 |
| 5(a) (iii) make alterations to its regulatory arrangements where the SRA considers existing arrangements are insufficient to carry out the above functions effectively and efficiently. | | 8. Set project plan for finalisation and future implementation | Detailed plan setting out actions required to finalisation position and successfully implement inc. prioritisation | 8. By end of August 2026 |
| SUPERVISION PRE-INTERVENTION PROCEDURES Improve its capacity to intervene early and proportionately to prevent serious regulatory failures. | | | | |
| 6(a) (i) ensure its guidance for making intervention decisions and decisions to investigate concerns require the consideration of the protection and promotion of the public interest and the interests of consumers, | Within twelve months, focused on the regulatory objectives including consumer protection and the public interest, the SRA will have: <ul style="list-style-type: none">improved our suite of templates and work instructions to provide a clearer audit trail of the evidence that is considered when making recommendations balanced against the criteria set down in legislation, case law and our rules (the grounds and test for intervention).improved our templates to provide assurance that decision | 1. Reviewed processes and guidance for decision making on whether to intervene and investigate with supporting training for staff, ensuring it properly reflects the need to consider the protection and promotion of the public interest and the interests of consumers. | Clear expectations for caseworkers. Organisational visibility of knowledge and approach within this area, enabling targeted action to address any areas of improvement. Reassurance as to the consideration of public and consumer interests throughout the lifetime of cases. | 1. Review completed by end of July 2025 |
| | | 2. Implemented identified changes for decision making process and guidance on whether to intervene and investigate with supporting training delivered for staff, ensuring it properly reflects the need to consider the protection and promotion of the public | | 2. Changes implemented by end of December 2025 |

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| | makers within the SRA consider the full range of regulatory tools, including conditions | interest and the interests of consumers | | |
| | <ul style="list-style-type: none"> considered the benefits of, and provided guidance to decision makers on, interim measures to protect the public that should be considered in advance of any interventions reviewed whether any alternative regulatory arrangements are needed to provide for effective interim measures reviewed, and updated if appropriate, our guidance on decisions to investigate | 3. Amended intervention plan to capture considerations of interim measures / regulatory tools at onset of investigation | Documented process for caseworkers to follow enabling the early consideration of risks and alternative measures, and to provide a consistent record of analysis in this area. | 3. By end of October 2025 |
| | | 4. Create interim measures / regulatory tools to capture considerations following progression of investigation | Documented process for caseworkers to follow ensuring the continued consideration of risks and alternative measures throughout the lifetime of investigation, and to provide a consistent record of analysis in this area. | 4. By end of October 2025 |
| | | 5. Draft amended template wording to reflect previous considerations of interim measures / regulatory tools and guide decision makers on alternative options to intervention | Clear analysis of factors and approaches considered, providing clarity for all parties. Visibility for decision makers, supporting informed decision making. | 5. By end of October 2025 |
| | | 6. Draft work instructions on creation, use, and monitoring of compliance plans | Increased awareness of compliance plans as potential alternatives to intervention. Consistency in approach to and monitoring of plans, leading to higher quality and efficacy. | 6. By end of October 2025 |
| | | 7. In addition, for 6(a)(ii), we will review options for additional regulatory powers as alternatives for intervention. Implementation timelines will depend on the outcome of that review. | Potential for identification of additional /alternative approaches to address risk with lesser impact on public/consumer interest. | 7. Review completed by end of April 2026 |
| 6(a) (ii) implement measures to ensure that proportionate interim protections for consumers and the public can be applied prior to formal intervention, and | | | | |
| 6(a) (iii) improve internal procedures, templates, and decision records to ensure evidence is gathered consistently and decisions are auditable | | 1. Process guidance for consideration of interim conditions in all investigations | Clearer expectations for caseworkers. Increased consistency and quality in interim condition proposals and monitoring, maximising efficacy as a viable alternative measure. | 1. Already completed (the effectiveness will be reviewed in January 2026) |

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| | | 2. Implement use of compliance plans as potential alternative regulatory arrangements | Clearer expectations for caseworkers. Increased consistency and quality in interim compliance plans and monitoring, maximising efficacy as a viable alternative measure. | 2. Already completed (the effectiveness will be reviewed in January 2026) |