

Sensitivity: General

Awdurdod
Rheoleiddio
Cyfreithwyr



Solicitors
Regulation
Authority

Mr Paul Davies MS
Chair of the Economy, Trade and Rural Affairs Committee
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10 February 2023

Dear Mr Davies

Re: Economic Crime and Corporate Transparency Bill LCM

I am writing regarding the above Bill, which I am aware the Legislation, Justice and Constitution Committee is currently considering. I thought as an organisation named in the Bill, it might be helpful to provide our perspective on this to inform your consideration of the legislative consent memorandum. As currently drafted, the Bill includes provisions to confer additional powers upon us, which we support, as detailed further below.

We are the largest regulator of legal services in England and Wales, covering around 90 per cent of the regulated market. We have responsibility for making sure that the 156,000 practising solicitors and 9,600 law firms (just over 4,000 solicitors and 400 firms in Wales) we regulate are playing their part in tackling the money laundering and economic crime that blights our society, the economy and so many lives.

Our work on tackling economic crime

We have developed and advanced our approach to fighting economic crime for many years, including most prominently on money laundering and terrorist financing and more recently financial sanctions. Our work in this area is overseen by the Office of Professional Body AML Supervision (OPBAS).

If we identify knowledge or suspicion of money laundering itself taking place, we liaise with law enforcement and the National Crime Agency to open an investigation and act either straight away in coordination with law enforcement or once any criminal investigation has been concluded.

We took enforcement action against 51 firms/individuals in the year up to March 2022 and conducted 163 firm inspections and 109 desk-based reviews.

Our view on the new legislation

The powers that the Bill provides (Clause 181) would allow unlimited fining powers for the SRA in relation to solicitors engaged in economic crime and are a recognition of the significant role lawyers have as trusted advisors and gatekeepers to services

Ni yw rheoleidiwr cyfreithwyr a ffirmiau cyfraith Cymru a Lloegr.

Mae'r Awdurdod Rheoleiddio Cyfreithwyr Cyfyngedig yn gwmni cyfyngedig drwy warant.
Ein swyddfeydd cofrestredig yw: The Cube, 199 Wharfside Street, Birmingham, B1 1RN.
Ein rhif cofrestru cwmni yw: 12608059.

which can be misused, with all the damage that causes. We see this provision (along with Clause 183) that expand our regulatory objectives, as critical measures in deterring solicitor and law firm involvement in economic crime, whether intentionally or unwittingly through poor compliance with their obligations.

Our ability to deter solicitors from involvement in economic crime has to date been constrained by our very limited fining powers for traditional firms and those who work in them, [recently uplifted](#) by the Ministry of Justice from £2,000 to £25,000. This pales into insignificance in the light of the finances so often involved in economic crime (whereas we have powers to fine Alternative Business Structures up to £250m and those who work in them up to £50m).

We have been asking for an increase in our fining powers for many years, bringing us in line with the other legal regulators whose fining powers for their regulated communities are not capped and therefore have better deterrence.

The new powers and regulatory objective, alongside the comprehensive definition of economic crime used in the Bill, will significantly improve how we can effectively deter and tackle the full range of economic crime.

We also welcome Clause 184¹: 'Approved Regulators: Information Powers' which would provide the SRA with additional powers to proactively request information from firms so we can spot check how they are preventing economic crime.

Financial sanctions and Strategic Litigation against Public Participation

You might also find it helpful to know more about the action we are taking in relation to financial sanctions. Solicitors and other professionals are prohibited from assisting designated persons² from moving assets or providing them with advice on how they may do so. Solicitors can provide legal advice to designated persons as long as it is not to help them evade financial sanctions, however they must either seek a licence from the Office of Financial Sanctions Implementation (OFSI) to charge a reasonable fee for work, or provide the advice free of charge.

We regularly update our [guidance](#) for firms on making sure they are complying with Russian financial sanctions and that all measures and restrictions are complied with in light of the conflict in Ukraine. We also published a recent [update](#) to the profession, and we are [carrying out](#) spot checks on firms to assess compliance with the new financial sanctions relating to Russian individuals. We will take disciplinary action should we see evidence of serious non-compliance.

We have issued [guidance](#) relating to Strategic Litigation against Public Participation (SLAPPs) on how to balance duties when conducting litigation, as well as [a warning notice on SLAPPs](#) and [advice for those who might have been targeted by them](#). We are currently investigating some 40 cases with allegations related to SLAPPs.

¹ Note, this clause was added as a government amendment as New Clause 14 during Report Stage in the House of Commons on 25 January 2023.

² [Who is subject to financial sanctions in the UK? - GOV.UK \(www.gov.uk\)](https://www.gov.uk/who-is-subject-to-financial-sanctions-in-the-uk)

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We hope this provides a useful overview of the value that the additional powers in the Bill would bring to our work. If you have any questions or wish to discuss this with us further, please do get in touch.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Philip', written in a cursive style.

Paul Philip
Chief Executive
Solicitors Regulation Authority