

01753 888211  
www.nhllp.com

## CHANGES TO SRA ACCOUNTS RULES



Historically the Solicitors Regulation Authority (SRA) Accounts Rules have comprised of a large number of very specific and prescriptive rules governing how law firms deal with client money. All firms, large or small, which hold client money have had to comply with these rules with no real scope to adapt them to suit their individual practice.

From 25 November 2019 this will all change.

The 46 detailed rules will be replaced with just 13 ‘principles-based’ rules allowing law firms much more flexibility as to how they ensure that client money is properly protected.

The SRA has stated in the introduction to these new rules that firms will need to have systems and controls in place to ensure compliance, and the nature of those systems must be appropriate to the nature and volumes of client transactions dealt with and the amount of client money held or received.

### Overview of changes

The key areas of change are:

- Change in the definition of client money – particularly impacting on the treatment of disbursements
- Removal of specific timeframes – allowing firms to determine, for example, appropriate timescales for the transfer of billed costs and the allocation of mixed payments
- Introducing into the Accounts Rules the option to hold client money in a Third-Party Managed Account (TPMA) instead of a client account.

In addition to the above, for firms that operate a client's own account, there is an additional requirement to perform reconciliations at least every five weeks. Also, these accounts must be included when determining whether the level of client money held falls below the limits which allows the firm an exemption from the requirement to obtain or deliver an accountant's report.

## **SRA – New Regulatory Model**

The new Accounts Rules are part of a wider range of reforms which will all come into effect on 25 November 2019 and are designed to allow solicitors greater freedom to use their professional judgement in considering how they meet the standards.

In addition to the Accounts Rules, key changes include:

- Separate codes of conduct for firms and solicitors
- Freeing up solicitors to carry out non-reserved legal work from a business not regulated by a legal services regulator
- Allowing solicitors to provide reserved legal services on a freelance basis.

Details of the new regulatory model, including the Accounts Rules are available on the SRA's website [www.sra.org.uk/sra/news/press/standards-regulations-start-date-2019.page](http://www.sra.org.uk/sra/news/press/standards-regulations-start-date-2019.page).

To support the new Accounts Rules (and other regulations) the SRA has issued guidance on several areas to assist solicitors as these changes come into effect. The guidance is available on the SRA's website [www.sra.org.uk/solicitors/guidance/guidance.page](http://www.sra.org.uk/solicitors/guidance/guidance.page).

## **How can we help?**

This is an opportunity to consider how you can apply the principles embodied within the new rules in a way that best suits your practice.

Even if you do not plan to make any changes to your systems and procedures in the near future it will still be important to be able to demonstrate what those systems and procedures are.

Written policies and procedures are strongly advised to ensure your staff comply with your procedures and to be able to demonstrate that client money is properly protected.

**If you would like to discuss these new rules in more detail or would like any assistance in determining or drafting suitable policies, please contact us on 01753 888211 or email [info@nhllp.com](mailto:info@nhllp.com) to discuss further.**