



The City of London Law Society

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David Hobart
Chief Executive

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Michael Mackay
Legal Services Board
One Kemble Street
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(By post and email: consultations@legalservicesboard.org.uk)

Dear Michael

Re: Draft: Business Plan 2014/15

The City of London Law Society (CLLS) represents approximately 17000 City lawyers through individual and corporate membership including many of the largest international law firms in the world. These law firms advise a variety of clients from multinational companies and financial institutions to Government departments, often in relation to complex, multi-jurisdictional legal and business issues. The CLLS responds to a range of consultations on issues of importance to its members. This response in respect of the LSB's Draft Business Plan for 2014/15 has been prepared by the Chief Executive of the CLLS.

The CLLS firms pay some £25m annually towards the regulatory and 'permitted purposes' costs of the legal sector. This huge sum is in addition to the significant compliance and internal regulatory costs already borne by the firms to enhance their national and international reputation. The great majority of the work of City firms is unreserved activity that would require no regulation if it was carried out either by non-lawyers operating from wherever they choose, or by lawyers operating outside this jurisdiction. Arguably, the majority of the City firms' legal regulatory costs are an unwarranted overhead, that bears no evidenced relationship to the risks posed by the unreserved activities; indeed, the LSB's previous research in 2011, conducted by Charles Rivers Associates, suggests that the risk posed by City legal activities does not merit today's disproportionate regulatory costs.

The area of greatest interest to the City firms is your proposals for Work Stream B: Strategy Development and Research. The combination of your draft Business Plan for 2013/14, and your stakeholder meetings held to prioritise the 2013/14 research activities, confirmed that your work to study the Cost and Complexity of Regulation would be usefully informed by your two proposed research projects on the risks of General Legal Advice and on Mapping the Unregulated Market. At some stage thereafter, the research project on Mapping the Unregulated Market was evidently dropped, as it failed to appear in the final Business Plan for 2013/14. No mention of this descope appears either in your Annual report for 2012/13 or in your latest draft Business Plan for 2014/15. Nor are there any new research proposals relevant to our concerns about the level of the City's regulatory costs. Unhappily, there is no evidence of any LSB research or support over the last 3 years to introduce a proportionate relationship between City risk and regulatory costs.

In the LSB's 2011 Discussion Paper entitled 'Enhancing consumer protection, reducing regulatory restrictions' you addressed the risks posed by corporate law, and concluded: 'there is a question about the relative balance of regulatory focus. Is the current balance of regulation right or are there areas where deregulation may be appropriate?'

I think it is time the LSB answered the question.


David Hobart
Chief Executive

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