



SO YOU WANT TO BE AN ABS?

How To Make A Successful Application

A guidance note from Lockton

How to use this guidance note

This guidance is intended to help you:

- Understand the ABS application process
- Decide whether ABS is the right solution for your business
- Plan and prepare your ABS application
- Complete a successful application

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Where Should I Start?

It is easy to mistakenly assume that completing a Firm Authorisation Application Form (FAAF) is the starting point for an ABS application. It isn't. One quick flick through the questions in the FAAF will alert you to the reality that completing your submission properly will involve weeks/months of preparation. As first steps, you will need to:

- Identify the business rationale for the ABS. Our [ABS Decision Tree](#) may assist you with this process.
- Decide which structure works for you
- Consider whether there is any merit in registering with an alternative ABS regulator (if applicable).
- Designate a 'project manager' internally

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ABS at a Glance

Your Common Questions Answered

How long will it take?

- The SRA work to a 6-month deadline in theory, but it is safer to allow for at least a year. Some take longer.

Why does the application process take so long?

- The process for approving ABSs has been more involved and complex than the SRA first envisaged. The time taken to process will largely be a factor of the complexity of the ABS, and the rationale for the ABS structure being adopted. Backlogs and high volumes of applications at a particular time will also, inevitably, have an impact.
- Major, unforeseen delays can be caused by: failure to submit the correct information; submitting incomplete information; or failing to present your case effectively/in a way that satisfies the SRA.
- If you follow our plan, and have all your documentation complete and correct, ready to submit, the process should not be unnecessarily delayed.

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What documents will I require to submit?

It's impossible to provide a complete, definitive list, but essential documents include:

- Firm Authorisation Application Form (FAAF)
- Individual Approval Application Form (for real person non-owner managers, and owners of any Corporate entities which have an ownership stake in the ABS)
- Corporate Managers/Owners Approval Application Form (for any corporate entity managers/owners)
- Corporate Structure Chart
- Governance (incl risk and compliance) Structure Chart
- Risk Register
- Partnership Agreement/Memorandum & Articles/Shareholders Agreements
- Balance Sheet projections (monthly for min. 12 months)
- Profit & Loss Forecast (monthly for min 12 months)
- Claims Experience
- Existing PII Policy
- Quotation i.r.o. future ABS policy
- Risk & Compliance policies and procedures
- MySRA Records (complete and up to date)



Time from Application
Submission (-/+)

-6 to -12 months

Action Plan

The first stage is to get to grips with your business model and work out whether or not you can and/or should apply to be an ABS. The following suggestions should help you to decide if an ABS is for you:

- When do you need your ABS licence? Be realistic. The SRA is not famous for turning ABS licences round quickly and if the ABS structure is complicated then you could be looking at a period in excess of 12 months alone from the moment you submit your application.
- Sketch out your business model and be clear about where the ownership and control lies. Who are the directors? Shareholders? Investors? Where does the proposed licensed body fit into the structure? If the ABS vehicle is a new entity, will assets of any other businesses need to be transferred?
- Will the ABS be a successor practice?
- Will you need just one ABS licence or several?
- Do you (plan to) operate in any jurisdictions that will not recognise your ABS status?

Additional
Information

[ABS Application
Decision Tree](#)

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Time from Application
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Action Plan

Additional
Information

-6 to -12 months

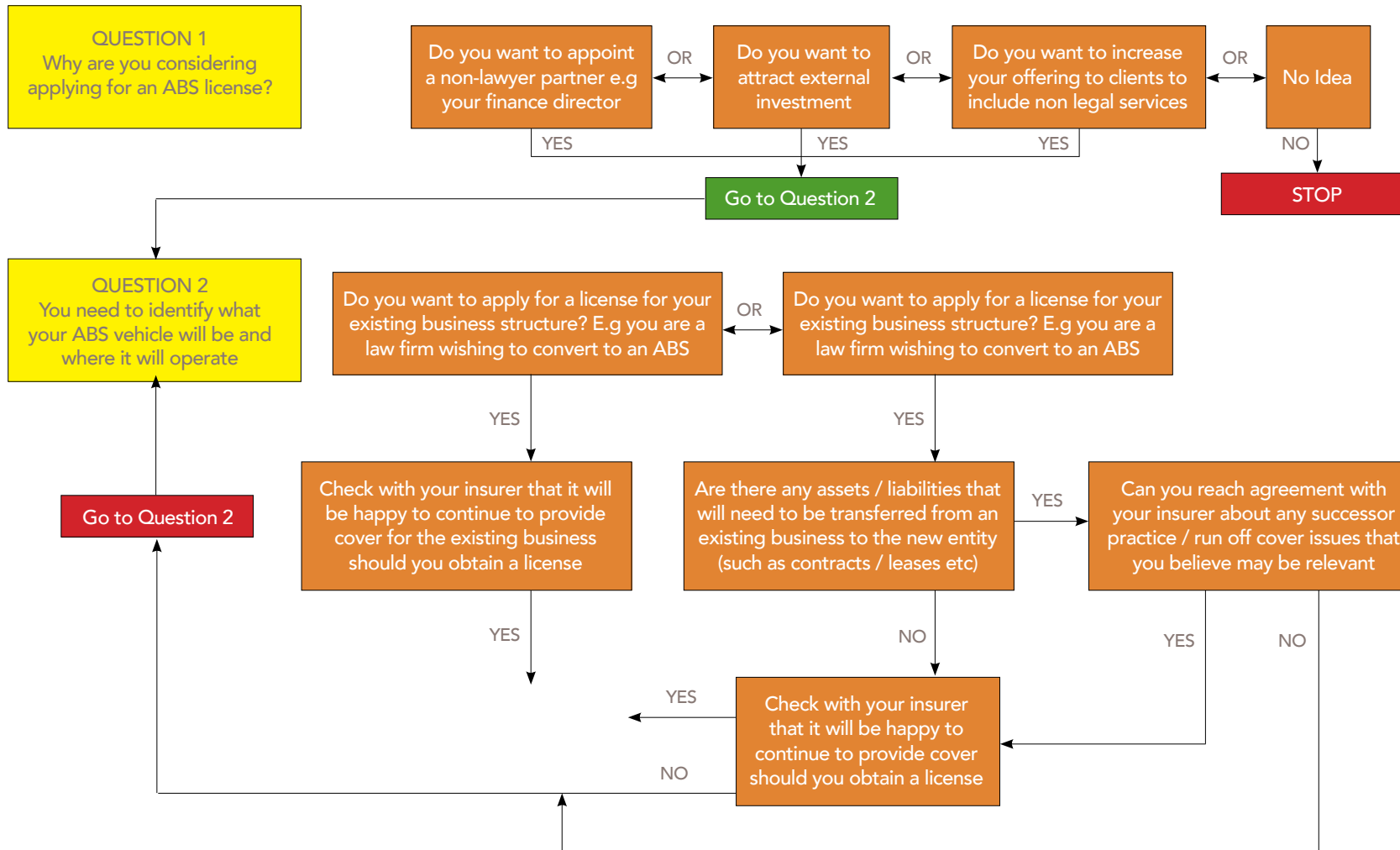
- Will you be subjected to the requirements of more than one regulator? If so, have you assessed the risk of a regulatory conflict?
- Will the ABS offer legal and non-legal services? To be considered for an ABS licence there must be at least one reserved legal activity undertaken.
- Consider the relevance of the separate business rules (SBR) to your business model. The rules are there to prevent law firms and licensed bodies from providing, through an unregulated limb of the business model, the types of legal services that the public would expect to be provided by a law firm. Remember that the SBR are a creation of the SRA and your model will be vulnerable to the SRA's interpretation of its own rules.
- It is possible to get a waiver from SRA provisions that are causing an obstacle? E.g. it is possible to be granted a waiver from the SBR but you need to identify any issues early and engage in pre-application discussions with the SRA to avoid the time and costs associated with going down a dead end. You do not want the first discussion you have with the SRA about the SBR and waivers to be after you have gone to all the trouble of preparing the application. Remember you cannot get a waiver from provisions of statute, only the SRAs own regulatory requirements.

[Separate
Business Rules](#)

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Resources - ABS Application Decision Tree

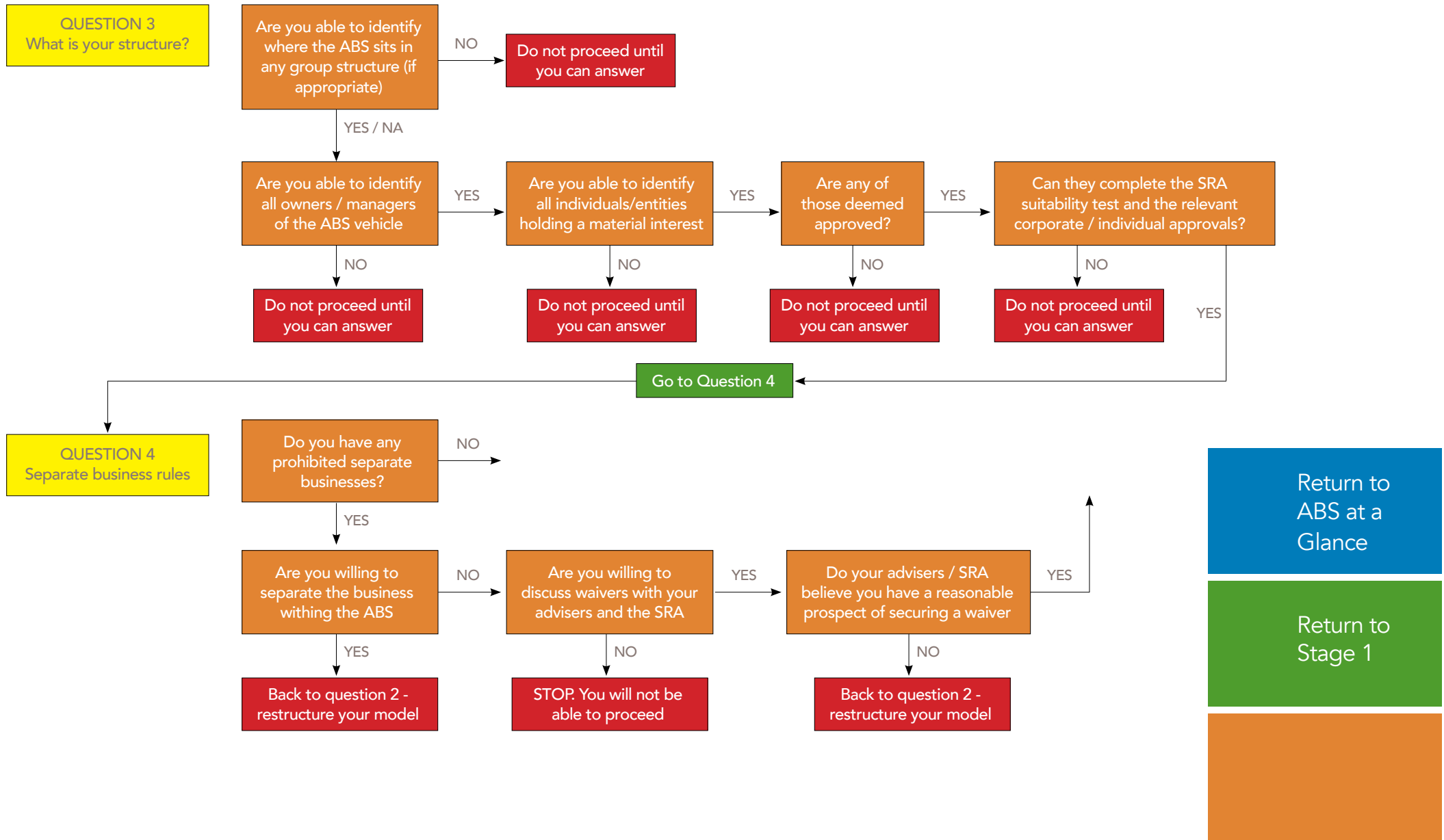
Are You in a Position to Apply? Questions 1 & 2



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Resources - ABS Application Decision Tree

Are You in a Position to Apply? Questions 3 & 4





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Calum MacLean is Risk Manager for Lockton's Profession clients. As a solicitor with 8 years PQE in private practice, Calum understands risk and compliance from your perspective. Calum provides risk management training and consultancy, focussing on practical measures to address current and emerging risk issues. He has helped a number of clients to improve their risk profile and marketability with professional indemnity insurers.



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Adam Entwistle is a Compliance Consultant within the Compl-i team at Weightmans LLP, with a track record of delivering successful ABS applications for clients. A law and management graduate, Adam has been advising lawyers on risk and compliance since completing law school. In addition to his specialist expertise in Alternative Business Structures, Adam provides a comprehensive portfolio of services including file audits, CPD training, and representation in disciplinary proceedings.

