



Probate investment structures

CONSIDERATIONS

In a licensed probate firm, any non-authorised persons who hold a material interest in the firm (as defined in Legal Services Regulation (LSR) 6.2) must be approved by ICAEW before they obtain their interest in the probate firm. This includes all persons who hold at least 10% of the shares, voting rights and/or voting rights in the management board of the probate firm and any person holding these interests in any parent of the regulated firm. If, for any reason, a firm is unable to provide us with details of persons who own a material interest in a parent or holding entity, then the firm will not be eligible for a probate licence.

In a group structure where there could be a number of intermediate entities between the probate firm and the ultimate owner (or controlling party / parties) we assess every layer (or tier) of ownership and control separately.

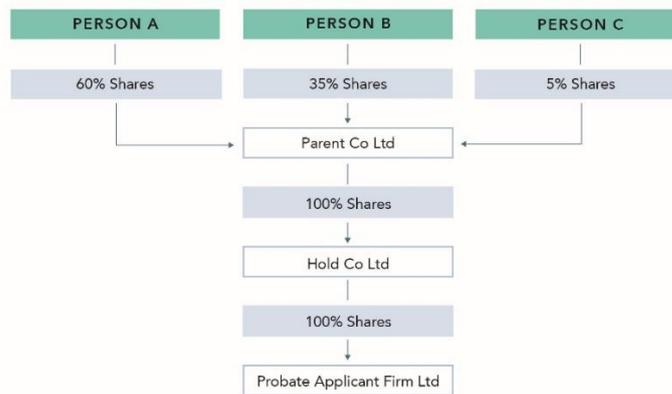
Any person who owns 10% or more of the shares, voting rights or voting rights in each entity's management board must apply for and be approved as a non-authorised owner (NAO).

Example 1

In the following example, where the percentages relate to the percentage of share capital held by each party, we would require NAO applications from:

- Person A as this individual holds more than 10% of the shares in the Parent Co;
- Person B as this individual holds more than 10% of the shares in the Parent Co;
- Parent Co as this entity holds more than 10% of the shares in Hold Co;
- Hold Co as this entity holds more than 10% of the shares in Probate Applicant Firm;
and
- all persons who hold 10% or more of the voting rights in the Management Boards of the Probate Applicant Firm, Hold Co and Parent Co.

This assumes that Person A and Person B are not Authorised Individuals (AIs) of the Probate Applicant Firm.



Example 2

Some applicants are unable to disclose to us the ownership structure of the firm, in particular where external investors, such as private equity funds, have 10% or more of the voting rights in the ultimate holding entity.

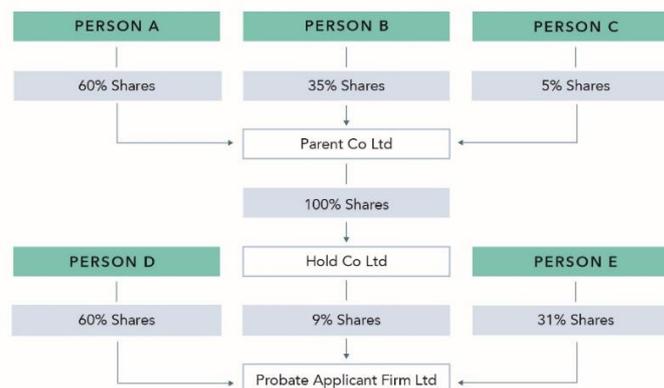
A group may, instead, consider creating a separate legal entity specifically carrying out licensed probate work with a simpler ownership structure. This avoids the administrative burden of notifying ICAEW when there are changes to the NAOs within the larger structure. The applicant still will need to disclose the group structure to us, and demonstrate that the group does not hold a material interest (as defined above, and in LSR 6.2).

An example structure is shown below. The percentages relate to the percentage of share capital held by each party.

In this example we would only require NAO applications from:

- Person D as they hold more than 10% of the shares in the probate applicant firm;
- Person E as they hold more than 10% of the shares in the probate applicant firm; and
- all persons who hold 10% or more of the voting rights in the Management Board of the Probate Applicant Firm.

This assumes that Person D and Person E are not Authorised Individuals of the Probate applicant firm.



RESPONSIBILITIES ONCE LICENSED

Once its application is approved, the Probate Applicant Firm is responsible for maintaining its eligibility to continue as a licensed probate firm.

Therefore, any changes in the natural or legal persons who hold 10% or more of the shares, voting rights or voting rights in the firm's management board will need to be notified to ICAEW within 10 business days, using [standing data change forms for regulated firms](#), together with any applicable NAO forms as explained under [regulatory applications](#). The relevant regulations setting out these responsibilities are:

- LSR 6.1: A non-*authorised person* may not hold a *material interest* in a *licensed firm* without a grant of approval by ICAEW.
- LSR 2.71: An *accredited probate firm* and its *principals* and *employees* must at all times: in the case of a *licensed firm*, inform ICAEW as soon as practicable but not later than 10 *business days* after any non-*authorised person* acquires or ceases to hold, or increases or decreases a holding of, any interest in the *firm* which, either before or after the change, qualifies as a *material interest*;

Once approved, all probate firms should put appropriate procedures in place to ensure the Legal Services Regulations are complied with at all times. For licensed firms, this must include effective processes to identify NAOs, when to notify ICAEW about changes and how to apply to ICAEW for approval of new NAOs.