REGULATION & CONDUCT

REGULATORY COMMITTEES: MEASURES AND SANCTIONS GUIDANCE (MSG)

Legal Services Committee (LSC)

Effective from 4 January 2027

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1. PREFACE

ICAEW carries out important public law functions in the exercise of its regulatory powers, some of which derive from statute. One of ICAEW's principal objects, as set out in the Supplemental Charter of 1948, is to maintain high standards of practice and professional conduct within the profession.

ICAEW's role as an improvement regulator is to strengthen public trust in the profession and in ICAEW membership as a whole. It does this by enabling, evaluating and enforcing high standards within the profession. The Legal Services Committee plays an important role in supporting that objective and in fulfilling ICAEW's duty to protect the public and the public interest.

Legal services regulation plays a central role in maintaining public confidence in the delivery of reserved legal activities and in the protection of clients, consumers and the wider public interest. The Legal Services Committee's regulatory decisions contribute to maintaining appropriate standards within authorised and licensed firms and to public confidence in the quality, integrity and effective regulation of ICAEW-regulated legal services.

This Guidance was approved by the ICAEW Regulatory and Conduct Board on [date] and the Legal Services board on [date]. It applies to all matters considered by the Legal Services Committee on or after [date].

The purpose of this Guidance is to promote consistency, fairness and transparency in the Committee's approach to sanctions, while preserving its discretion to determine the appropriate regulatory outcome on the facts and circumstances of each case. It is intended to assist the Committee, accredited firms and their advisers by setting out the principles, methodology and indicative starting points that may be applied when considering regulatory financial penalties and other regulatory measures.

This Guidance is not a tariff. The Committee may depart from it where the circumstances of a particular case justify doing so, provided that reasons are given.

The Guidance will be kept under review to ensure that it remains aligned with the applicable regulatory framework, regulatory practice and oversight expectations. Any amendments will be approved through ICAEW's appropriate governance arrangements before taking effect.
This Guidance should be read alongside the Legal Services Regulations, the Legal Services Act 2007 and any other applicable legal services regulatory requirements.

2. REGULATORY FRAMEWORK AND FUNCTION

2.1 Regulatory framework

ICAEW is an approved regulator and licensing authority under the Legal Services Act 2007. Authorisation to undertake probate work and the administration of oaths is governed by the ICAEW Legal Services Regulations as amended from time to time.

The principal regulatory framework is the ICAEW Legal Services Regulations.

2.2 Oversight and accountability

The Committee operates within a wider regulatory oversight framework. The Legal Services Board is responsible for oversight of approved legal regulators and licensing authorities under the Legal Services Act 2007, including ICAEW.

The Legal Services Board may assess whether ICAEW is exercising its regulatory functions in accordance with the applicable statutory and regulatory framework. Accordingly, ICAEW and the Committee must be able to demonstrate decision-making that is robust, evidence-based, fair, transparent and consistent, with outcomes that are effective, proportionate and, where appropriate, dissuasive.

The Committee should recognise that regulatory decisions are made within a wider framework of protecting and promoting the public interest, supporting the regulatory objectives under the Legal Services Act 2007, and maintaining confidence in ICAEW-regulated legal services.

Oversight expectations also include effective cooperation with relevant regulators, appropriate record-keeping, clear reasons for decisions, and governance arrangements that support accountability and consistency.

This Guidance forms part of that framework by setting out the approach that the Committee is expected to follow, while preserving the ability to exercise appropriate judgment in the circumstances of individual cases.

3. CORE PRINCIPLES OF SANCTION DETERMINATION

When determining the appropriate regulatory outcome, the Committee should have regard to the following overarching principles:

- Protecting the public;
- Maintaining the reputation of the profession and ICAEW;
- Upholding proper and high standards of conduct of ICAEW firms; and
- Correction and deterrence of misconduct.

3.1 Protecting the public

The principle of protecting the public extends beyond consideration of any direct harm suffered by clients or third parties.

The Committee should consider whetherany breaches identified reveal ongoing risks arising from the conduct, and whether regulatory action is necessary to mitigate those risks and maintain public confidence in legal services regulation and the profession.

3.2 Maintaining the reputation of the profession

In applying this principle, the Committee should recognise the importance of maintaining public confidence in the profession and in ICAEW's regulatory framework.

The Committee should bear in mind the relevant extracts from the leading judgment of Lord Bingham in *Bolton v The Law Society (1994) 1 WLR 512:*

““To maintain this reputation and sustain public confidence in the integrity of the profession, it is often necessary that those guilty of serious lapses are not only expelled but denied readmission… otherwise, the whole profession, and the public as a whole, is injured. A profession's most valuable asset is its collective reputation and the confidence which that inspires….The reputation of the profession is more important than the fortunes of any individual member. Membership of a profession brings many benefits but that is a part of the price.”

This authority highlights the importance of a profession’s collective reputation and the confidence it inspires among the public. The Committee should consider the broader implications of the breaches identified and the impact that its decision may have on public confidence in the profession and in legal services regulation more generally.

3.3 Upholding proper and high standards of conduct

The Committee plays an important role in maintaining proper standards of conduct across the profession through its regulatory decisions. When determining the appropriate regulatory outcome, the Committee should consider whether its decision and any sanction and/or action taken appropriately reinforces the professional standards expected of ICAEW accredited firms and promotes accountability and compliance with the regulatory framework.

Regulatory financial penalties and other regulatory measures should communicate clearly that serious or repeated failures to comply with professional and regulatory standards may result in meaningful regulatory consequences.

The Committee should also consider whether remedial or educational measures, including additional training, enhanced monitoring, undertakings or restrictions, is sufficient to address the underlying causes of the breaches identified and reduce the likelihood of recurrence.

By adopting a proportionate and forward-looking approach, the Committee contributes to the maintenance of professional standards, the promotion of competent and ethical practice, and the protection of the integrity and credibility of the profession.

3.4 Correction and deterrence

In determining the appropriate regulatory outcome, the Committee should consider whether the overall measures imposed, including any regulatory financial penalty, are sufficient to achieve credible specific deterrence in relation to the accredited firm concerned and, where appropriate, wider general deterrence. Although sanctioning will not, in itself, improve conduct or competency, regulatory action may support remediation, secure future compliance and reduce the risk of recurrence.

Sanctions, where appropriate, may have particular deterrent value because they are ordinarily capable of publication and therefore communicate to accredited firms, the profession and the wider public that breaches of the regulatory framework may result in meaningful regulatory consequences.

4. THE DECISION-MAKING PROCESS

In exercising its functions, the Committee makes regulatory decisions rather than disciplinary findings. Its decision-making approach is risk-based and informed by ICAEW's role as an improvement regulator. The Committee's focus is on protecting the public and the public interest, promoting compliance with the Legal Services Regulations, supporting remediation where appropriate, and maintaining confidence in ICAEW-regulated legal services. The Committee is therefore concerned not only with what has gone wrong, but also with what the breaches or failures indicate about the risks presented by the accredited legal services firm.

Those risks may relate to compliance with the Legal Services Regulations, the conduct of probate work, estate administration or the administration of oaths, consumer protection, professional competence, governance, supervision, complaints handling, or the firm's continued suitability to remain authorised or licensed. The Committee should determine what regulatory outcome is necessary and proportionate to address those risks, prevent recurrence and secure future compliance.

The Quality Assurance Department (QAD) of the ICAEW plays a key role by monitoring the work carried out by ICAEW accredited firms. It conducts monitoring reviews to assess compliance with the applicable rules, bye-laws and regulations. Regulatory concerns may also arise through the work of the Regulatory Practice team (RP) in exercising its delegated responsibilities for the authorisation, approval and monitoring of entities and individuals regulated under the Legal Services Regulations, which are referred to as individuals or accredited firms throughout this guidance.

Where concerns are identified regarding compliance with ICAEW's regulatory requirements, the Committee may take regulatory action to address identified risks and support future compliance. Depending on the nature and seriousness of the issues identified, regulatory action may include (but not limited to):

- suspension or withdrawal of accreditation;
- imposing conditions or restrictions;
- obtaining undertakings from an accredited firm; and/or
- offering regulatory financial penalties.

The Committee will ordinarily consider reports and recommendations prepared through the relevant regulatory processes, including findings arising from QAD monitoring visits and inspections and recommendations from RP. This information will usually identify the relevant regulations, rules and standards engaged, summarise the relevant facts and may include a recommended regulatory outcome.

Any recommendation is intended to assist the Committee but is not determinative. Decisions on breach, seriousness, regulatory outcome and any regulatory financial penalty remain matters for the Committee's independent judgment.

The regulatory process differs in important respects from the Disciplinary Scheme. The Committee may offer regulatory financial penalties and impose or accept certain regulatory measures under the applicable regulations, but it cannot impose disciplinary sanctions such as reprimands, severe reprimands or exclusion.

Regulatory action is intended to provide an effective, proportionate and expeditious means of addressing regulatory concerns where the matter remains suitable for disposal within the Committee's powers and where any regulatory financial penalty is accepted. Matters involving potentially more serious misconduct, requiring formal investigation, or unsuitable for disposal by consent may instead require referral into the disciplinary framework.

The Committee should also recognise the particular context in which probate services are provided. Probate clients will ordinarily be engaging with legal services following a bereavement and at a time of loss and grief. For regulatory purposes, they should therefore be regarded as vulnerable clients, recognising that the nature and degree of vulnerability, and the support required, will vary according to the individual circumstances of the client. Bereavement may affect a client's ability to understand information, make decisions, communicate effectively or protect their own interests and may be compounded by other personal, financial or situational factors.

The Committee should have regard to this inherent vulnerability when considering the seriousness and impact of regulatory breaches, including whether an accredited firm has appropriately identified and responded to the needs of its clients and whether any failure created or increased a risk of harm.

Regulatory financial penalties may only be imposed with the consent of the accredited firm. There is no right of appeal against a regulatory financial penalty accepted by consent. Where an accredited firm does not consent to the proposed regulatory financial penalty, the matter may be referred to the Conduct Department (TCD) and dealt with under the relevant disciplinary processes.

The Committee must take into account any advice provided by the Secretary, including advice on the application of the relevant guidance and regulations, when reaching its decision.

4.1 Referrals to the conduct department

In many cases, regulatory action within the Committee's powers will be sufficient to address the concerns identified and to protect the public and the public interest. However, the Committee should recognise that there will be cases where a regulatory financial penalty and/or other regulatory measures would not, on their own, provide an adequate or appropriate response to the nature, seriousness or circumstances of the conduct identified.

In considering whether referral is appropriate, the Committee should have regard to:

- the seriousness of the breaches identified;
- whether the conduct raises potential disciplinary concerns;
- the extent of any actual or potential harm;
- whether investigation powers may be required;
- whether the matter raises wider concerns regarding professional integrity, ethics or compliance; and
- the need to maintain public confidence in the profession and its regulatory framework.

If, on the evidence available to it, the Committee considers that the matter may warrant disciplinary investigation or that its own regulatory powers may be insufficient to address the concerns identified, the matter should be referred to the Conduct Department (TCD).

The Committee should also recognise that QAD and RP perform monitoring and supervisory functions and do not exercise formal investigation powers. There may therefore be cases where the concerns identified through monitoring require further enquiry and investigation by TCD.

Where the Committee refers a matter to TCD, it should consider whether there is information suggesting that there may be an ongoing risk to the public or the public interest. Any such concerns should be identified within the referral so that consideration may be given to whether interim measures or an interim order application may be appropriate. The Committee does not itself determine whether an interim order application should be made, but it may indicate, based on the information before it, that further risk assessment may be required.

Following referral, TCD will assess the matter in accordance with the disciplinary framework and determine whether further action is appropriate. Not all referrals will result in disciplinary proceedings or disciplinary findings. The fact that a matter may take longer to conclude following referral should not deter the Committee from making a referral where the public interest requires it.

5. REGULATORY MEASURES

The Committee can impose a number of other measures to protect the public and the public interest, promote ongoing compliance, reduce the risk of recurrence and ensure enhanced monitoring where regulatory concerns remain. In some cases, those objectives may be achieved through remedial training, conditions or restrictions, undertakings, or suspension or withdrawal of accreditation. In others, a regulatory financial penalty may be necessary to provide an appropriate deterrent.

The Committee should be satisfied that the overall package of regulatory measures is necessary, proportionate and sufficient to address the risks identified.

5.1 Withdrawal of accreditation

Withdrawal of accreditation is the most significant regulatory measure available to the Legal Services Committee and results in a firm ceasing to be accredited by ICAEW to undertake authorised legal services work.

The Legal Services Regulations set out the circumstances in which ICAEW may withdraw a firm's accreditation. Some grounds for withdrawal arise from clear regulatory non-compliance, including failures relating to professional indemnity insurance, the submission of required returns or reports, or the payment of fees, charges, fines or costs. Where permitted by the Legal Services Regulations and applicable delegations, such matters may be determined under delegated authority and will not ordinarily require consideration by the Committee under the decision-making framework set out below.

Other grounds for withdrawal require the exercise of regulatory judgement, including where there are concerns about continued eligibility, compliance with restrictions, conditions or written undertakings, wider regulatory non-compliance, or where the continued accreditation of the firm may adversely affect a client or any other person. In the case of a licensed firm, withdrawal may also be considered where a non-authorised person holds an interest in the firm as a result of which the firm has ceased to comply with the applicable requirements in section 6 of the Legal Services Regulations.

Where withdrawal is being considered by the Committee as a regulatory response, it should only be imposed where there are proper legal and evidential grounds for doing so and where the Committee is satisfied that it is necessary and proportionate.

In cases concerning deficiencies in authorised legal services work or regulatory compliance, the Committee's assessment should be forward-looking as well as retrospective. It should consider not only the seriousness of the matters identified, but whether they indicate an ongoing risk to clients or other persons, the proper provision of authorised legal services, compliance with the regulatory framework or public confidence in the regulation of legal services.

Depending on the nature of the case, relevant considerations may include:

- whether the matters identified reveal systemic weaknesses in the firm's systems, governance, supervision or arrangements for the provision of authorised legal services;
- whether the deficiencies are isolated or indicate wider or repeated failures;
- the seriousness and extent of any actual or potential impact on clients or other persons;
- whether the firm has demonstrated appropriate insight into the concerns identified and taken effective remedial action;
- where relevant, whether the firm has adequately identified the causes of the failures and taken appropriate steps to prevent recurrence;
- the likelihood of similar breaches recurring if accreditation continues;
- the particular circumstances and vulnerability of any clients affected by the matters identified; and

- whether the identified risks can be adequately addressed by less restrictive regulatory measures, including conditions, restrictions, undertakings or enhanced monitoring.

Before withdrawing accreditation, the Committee should ensure that the applicable regulatory and procedural requirements have been met and that the accredited firm has had a reasonable opportunity to make representations on the matters under consideration and the potential regulatory outcome. Where there has been no prior notification that withdrawal is under consideration, the Committee should consider whether the matter should be deferred to provide an appropriate opportunity for representations before a final decision is made.

In reaching its decision, the Committee should consider and record why withdrawal is proportionate, including:

- whether less restrictive regulatory measures could adequately address the identified concerns and, if not, why they are insufficient;
- the likely impact of withdrawal on the firm, its clients and other persons, balanced against the regulatory objectives and public protection to be achieved; and
- the applicable rights of review or appeal.

Where a firm's accreditation is withdrawn, it ceases to be accredited by ICAEW to undertake authorised legal services work.

5.2 Suspension

Suspension is distinct from withdrawal, and the Committee should be clear about its regulatory effect when considering whether it will adequately address the risks identified.

Under regulation 10.4, ICAEW may suspend an accredited legal services firm's accreditation for a period where any of the circumstances specified in regulation 10.3a to 10.3g or 10.3j exists or may exist; where the firm is not, or may no longer be, complying with the Legal Services Regulations; or where continuation of the firm's authorised legal services work could adversely affect a client or any other person.

Suspension may provide an appropriate regulatory response where the Committee considers that the firm's authorised legal services work needs to be restricted for a period, including while further evidence is considered or concerns are addressed. It may therefore provide a means of protecting clients and the public interest while allowing the Committee to assess whether the concerns can be satisfactorily resolved without withdrawing accreditation.

Unlike withdrawal, suspension does not necessarily prevent a firm from continuing all existing authorised legal services work. During a period of suspension, an accredited legal services firm:

- may continue with ongoing authorised legal services work with the permission of the Legal Services Committee; but
- may not accept any new appointments for authorised legal services work.

Accordingly, the Committee should not assume that suspension automatically prevents the firm from undertaking all authorised legal services work. Where the risks identified relate to existing client matters, the Committee should consider whether the firm should be permitted to continue with any or all ongoing work and, if so, whether additional conditions or restrictions are required to protect clients or other persons.

In determining whether suspension is appropriate and, if so, the period and any additional measures required, the Committee may consider:

- the nature and seriousness of the matters identified;
- whether the concerns relate to the firm's existing authorised legal services work as well as its ability to accept new appointments;

- any actual or potential risk of harm to clients or other persons, including the particular circumstances and vulnerability of any clients affected;
- whether the deficiencies are isolated or systemic;
- the firm's insight, remediation and progress in addressing the concerns identified;
- the likelihood of recurrence during the period of suspension;
- whether the firm should be permitted to continue with any ongoing authorised legal services work and, if so, whether additional restrictions or conditions are necessary;
- whether suspension provides sufficient protection having regard to the nature and extent of the concerns identified; and
- what evidence, remediation or improvement would be required before the suspension could appropriately be varied or brought to an end.

ICAEW may vary or end a suspension imposed under regulation 10.4. Where suspension is imposed, the reasons should therefore make clear the regulatory concerns it is intended to address and, where appropriate, the matters the Committee will expect to be satisfied about before the suspension is varied or ended.

5.3 Conditions and restrictions

The Committee may impose conditions or restrictions on a licensed firm's accreditation where it considers such measures necessary and proportionate to address identified risks, secure future compliance or protect the public and the public interest. Conditions and restrictions may be appropriate where the Committee considers that the concerns identified can be adequately addressed without the need for suspension or withdrawal of accreditation. These may include deficiencies in the conduct of probate work, estate administration or the administration of oaths, consumer protection, professional competence, governance, supervision, complaints handling or other legal services compliance procedures.

Conditions or restrictions may include, for example:

- enhanced monitoring or reporting requirements;
- restrictions on particular areas of work or regulated activity;
- requirements relating to supervision, quality control or compliance procedures;
- limitations on the conduct of certain engagements; or
- requirements for remedial action, training or external review.

Any conditions or restrictions imposed should:

- be relevant to the concerns identified;
- be proportionate and no more restrictive than reasonably necessary;
- be clear, workable and capable of effective monitoring;
- include appropriate timescales for compliance; and
- be objectively capable of assessment.

In determining whether conditions or restrictions are appropriate, the Committee should consider whether less restrictive measures could adequately address the identified risks, the impact on the accredited firm and clients, and whether review arrangements are appropriate. The Committee should provide reasons for imposing any conditions or restrictions.

Failure to comply with conditions or restrictions is a serious matter and may result in further regulatory or disciplinary action.

5.3.1. Remedial training

The Committee may require a member or affiliate to undertake additional training, or an accredited firm to arrange additional training for relevant individuals, where this is considered necessary to address identified deficiencies, secure future compliance or reduce the risk of recurrence.

Training requirements may be imposed as a standalone measure or as part of conditions or restrictions imposed by the Committee.

In determining whether remedial training is appropriate, the Committee may consider:

- the nature and seriousness of the concerns identified;
- whether the member or affiliate or accredited firm has demonstrated insight into the deficiencies identified that would mean training could be effective;
- the need to improve competence, systems or compliance practices; and
- any relevant Continuing Professional Development requirements.

Any training requirement should be proportionate, relevant to the concerns identified, clearly defined and capable of effective monitoring or verification.

The Committee should specify any applicable timescales for evidence of completion to be provided to the ICAEW and/or the Committee and provide reasons for imposing the requirement.

5.4 Undertakings

A Committee may accept undertakings where it considers such action appropriate to address identified deficiencies, secure future compliance and reduce the risk of recurrence.

An undertaking is a formal commitment made by an accredited firm to fulfil specified obligations or requirements in response to concerns identified by ICAEW. Undertakings can provide a proactive and cooperative means of addressing actual or potential breaches and promoting accountability, transparency and public protection.

When inviting an accredited firm to provide an undertaking, the Committee should specify any applicable timescales for compliance and explain why it considers the undertaking appropriate in the circumstances. Any undertaking should be proportionate, relevant to the concerns identified, clear, specific, time-bound and capable of effective monitoring or verification.

Failure to comply with an undertaking is a serious matter and may result in further regulatory or disciplinary action.

6. REGULATORY FINANCIAL PENALTIES

A regulatory financial penalty may be appropriate where the matter is sufficiently serious to require a formal financial sanction but remains suitable for disposal within the Committee's regulatory powers.

The starting points for financial penalties are set out in the relevant categories and will either involve a multiplier or will refer to one of six separate categories, set out below. These will be subject to adjustment from time to time in line with inflation. The current categories are as follows:

Category A £25,000
Category B £20,000
Category C £15,000
Category D £10,000
Category E £5,000
Category F £2,000

These financial penalties may be offered according to the more detailed guidance provided in the tables below.

When determining whether to offer a regulatory financial penalty and, if so, the appropriate level of that penalty, the Committee should seek to reach an outcome that supports the protection of the public and the public interest, maintains confidence in the profession and legal services regulation, upholds proper professional standards and promotes accountability.

Each case must be determined on its own facts and circumstances. The Committee must balance the interests of the firm carefully against the need to protect the public and the public interest. Where the breach is significant and a financial penalty alone is deemed inadequate, the Committee should consider referring the matter to TCD.

The Committee should adopt a structured approach when determining regulatory financial penalties in order to promote consistency, fairness and transparency in decision-making.

The proposed regulatory financial penalty should be determined by following the steps set out in the following flowchart:

6.1 The flowchart

1. Identify the correct category for the breach (or nearest category if it does not fit into any existing category)

2. Determine which starting point applies within the category (e.g. whether the matter is very serious / serious / less serious)

3. Identify the breach specific and common aggravating factors present in the case. Then identify the breach specific and common mitigating factors. Assess whether the identified aggravating and mitigating factors justify moving from the starting point by increasing or decreasing the financial regulatory penalty.

4. Proportionality – consider any aspects which contribute to whether the proposed financial penalty is appropriate and balanced in all the circumstances. Does it meet the misconduct found in the matter?

5. Consider the registered auditor's financial circumstances - determine whether it is appropriate to reduce the penalty accordingly and/or whether to provide a longer period to pay any financial sanction.

6.2 Identify the relevant category of breach from within this guidance

The Committee should consider the reports and recommendations prepared through the relevant regulatory process, including any proposed category or indicative regulatory financial penalty. Such recommendations are intended to assist the Committee and the accredited firm but are not determinative.

The decision on the appropriate category, regulatory outcome and any regulatory financial penalty remains a matter for the Committee's own independent judgment. The Committee may depart from any recommendation, indicative starting point or category where it considers it appropriate to do so, provided clear reasons are given.

Where no category directly corresponds to the matter under consideration, the Committee should identify and apply the category that most closely reflects the nature and seriousness of the breaches identified, with assistance from the Committee Secretary where appropriate.

6.3 Determine the nature and seriousness of the conduct

For many categories of breach or failure, this Guidance identifies different starting points for regulatory financial penalties according to the nature and seriousness of the conduct identified. The Committee should first determine the seriousness of the breaches or failures before considering any aggravating or mitigating factors. These are separate stages of the assessment, and the Committee should avoid conflating them or double counting relevant factors.

For each category of breach, and where applicable sub-category based on seriousness, this Guidance provides an indicative starting point for the Committee's consideration. The starting point is not the presumed or expected penalty for the breach. Rather, it indicates the point from which the Committee should begin its assessment before considering aggravating and mitigating factors and any issues of proportionality which may justify an increase or reduction in the proposed penalty.

Depending on the nature of the breaches or failures identified, seriousness may be assessed by reference to the accredited firm's state of mind or conduct or the quality of work identified through monitoring or inspection.

The Committee should determine whether the conduct falls within one of the following categories:

- **Very serious –** this will generally mean where the conduct was deliberate and knowing.
- **Serious –** this will generally mean where the conduct was reckless or featured unjustified risk taking (a knowing and conscious disregard of the risks, potential risks, risk of harm or harm associated with the actions taken OR taking action inconsistent with responsibilities and expectations of the profession that one should reasonably be aware of leading to a risk of harm or harm associated with the actions taken), OR, if the conduct falls between 'Very Serious' and Less Serious'.
- **Less serious –** this will generally mean where the conduct resulted from failures to carry out certain required or expected acts or breaches of strict liability regulations or where there is no evidence of a deliberate act, unjustified risk taking or recklessness.

When assessing the seriousness of a breach, the Committee should distinguish between the nature of the conduct itself and the consequences that flowed from it. A serious outcome does not necessarily mean that the underlying conduct was serious, just as conduct may be very serious even where no actual harm resulted.

6.4 Aggravating and mitigating factors

Once the Committee has identified the appropriate starting point for the regulatory financial penalty, it should consider any relevant aggravating and mitigating factors. The Committee should first identify any relevant breach-specific aggravating and mitigating factors identified within the relevant category of breach. The Committee should then consider whether any of the common aggravating or mitigating factors set out below are also relevant to the matter under consideration.

The Committee should attach appropriate weight to those factors and may increase or reduce the proposed penalty accordingly. The weight to be attached to any factor will depend on the circumstances of the case and there may be cases where aggravating and mitigating factors balance each other out.

The Committee should be mindful that certain factors may already be reflected within the nature or seriousness of the breaches identified and should avoid double counting such factors when adjusting the proposed penalty.

The lists below contain common aggravating and mitigating factors which may arise irrespective of the nature of the specific breaches identified. The lists are not exhaustive and are not arranged in any order of priority. The Committee may also identify other aggravating or mitigating factors arising from the particular circumstances of the case.

Common aggravating factors

- Repeated failures over a prolonged period; (what may be considered lengthy will depend on the facts of each case)
- Evidence of a lack of insight and/or remorse into the seriousness of the breaches identified or their actual or potential consequences;
- Evidence of a lack of remedial action;
- Evidence of actual or potential adverse financial or other consequences for clients, third parties or the public;
- Previous regulatory and/or disciplinary sanctions for similar matters;
- Failure to engage and/or cooperate appropriately with ICAEW (particularly where this indicates a blatant disregard for regulatory obligations and/or a lack of respect for the regulatory process and/or an unwillingness to uphold the standards and transparency expected of accountants and/or undermine public confidence in both the regulatory and the procession;
- Evidence of a lack of acceptable/respectful behaviour/communication with ICAEW staff;
- The accredited firm was on notice of the concerns prior to the breaches occurring (e.g. correct advice given on what constitutes proper conduct by ICAEW, or knowledge gained from any other appropriate source, but was ignored).
- The firm was aware of the breach but failed to self-report it.
- Firm size and/or number of principals is such that it gives rise to a heightened expectation of robust systems, controls and oversight arrangements,
- Evidence of non-compliance at previous QAD visit on the same issue that has not been addressed.
- Evidence that it has exploited and/or adversely affected a particularly vulnerable client/abuse of position

Common mitigating factors

- Isolated failure and/or over a very short period of time (what may be considered short will depend on the facts of each case);
- Breaches occurring over a short period;
- Absence of actual adverse consequences to clients, third parties or the public;
- Evidence of meaningful insight and/or and remorse in respect of the concerns identified;

- Evidence of pro-active and/or timely and effective remedial action;
- Acted on an honestly held belief which was reasonably based on the information available to them at the time;
- The issue was identified through the individual’s or firm's own compliance processes,
- Reprehensible conduct/correspondence on the part of the client
- Self-reported conduct;
- Previously unblemished regulatory or disciplinary record; and
- Evidence of relevant personal mitigation, where the wider public interest permits.

The Committee should ensure that any aggravating or mitigating factor relied upon is supported by evidence. Such factors should not be based on speculation or assumptions, behaviour or communication with ICAEW staff; and the matter having been reported by a third party.

6.5 Insight

Assessing insight into wrongdoing is a critical element in the Committee’s decision-making. It involves a careful examination of a firm’s ability to comprehend the nature and impact of its actions. Assessing insight goes beyond mere acknowledgment of wrongdoing; it delves into the depth of understanding displayed by the firm. This assessment seeks to answer questions such as whether the firm recognises the factors that led to its failings, comprehends the harm caused to others, itself or the reputation of the profession, and appreciates the necessity for change or corrective action. Insight is often regarded as an indicator of how a firm will act in future and therefore it is an important tool when considering the risk of future harm. It can significantly influence the determination of appropriate interventions and mechanisms put in place for support.

It is important to remember that following the Committee’s consideration, a regulatory financial penalty is offered to the relevant firm. If a firm does not accept the breach, and consequently the regulatory financial penalty offered, then the matter is referred to TCD.

Therefore, the Committee does not need to distinguish between a lack of insight and a firm’s right to defend itself when arriving at what will be considered an appropriate penalty to offer, as that offer can be rejected if the firm wishes to continue to defend its position within the disciplinary framework.

6.6 Proportionality and financial means

Once the Committee has considered the appropriate breach category, level of seriousness, and any aggravating and mitigating factors, it should then consider whether the regulatory penalty reached is proportionate in all the circumstances of the matter.

The principle of proportionality requires that any infringement of individual rights be limited to what is appropriate and necessary to achieve a legitimate aim. The Committee should therefore remind itself of the purpose of regulatory penalties and consider proportionality by reference to public protection, maintaining the reputation of the profession and ICAEW membership as a whole, upholding proper and high standards of conduct within the profession, and the correction and deterrence.

In accordance with the Human Rights Act 1998 and the underlying principles reflected in Article 8 of the European Convention on Human Rights, the Committee must strike a fair balance between the rights of the member, member firm or contracted firm and the wider public interest. Before reaching a final decision on the penalty to be offered, it should ensure that the penalty is sufficient to achieve the intended purpose of regulatory action but does not exceed what is necessary to achieve that purpose.

When considering whether the regulatory penalty is proportionate, the Committee must first have regard to the income derived from the regulated activity to which the breach relates. Regulated income should be the primary financial reference point when assessing the proportionality of the penalty as proportionality requires a committee to be sure that the sanction is proportionate to the breach.

Only exceptionally, where the Committee is satisfied that there are particular circumstances which make it necessary in the public interest to look beyond regulated income, should it also have regard to wider firm income. This may include cases involving larger firms where reliance on regulated income alone would result in a penalty which would not be effective or dissuasive.

Where the Committee considers that wider firm income should be taken into account, it may, where appropriate, consider a percentage of overall firm income. The Committee should identify the particular circumstances which justify departing from regulated income as the primary reference point and be satisfied that doing so is necessary to achieve an appropriate regulatory outcome and make those reasons clear in any decision.

The Committee may consider any information about the financial means and circumstances of the firm which, in its view, has an impact on the financial penalty to be offered. This is a separate consideration from proportionality and is connected to ability to pay rather than whether the penalty is appropriate. If no documentary evidence is provided, the Committee is entitled to assume that the firm can meet the penalty offered. If there is clear evidence of limited means, the Committee may reduce the penalty accordingly, but this should not negate the need for the penalty to act as a credible deterrent.

The Committee also has discretion to extend the timeframe for payment where appropriate.

6.7 Publicity

Publicity serves an important role in maintaining transparency, accountability and public confidence in regulatory and disciplinary processes. It supports the principle of open justice. Accordingly, publication should be regarded as the normal outcome of regulatory action, unless the applicable regulatory framework or ICAEW's policy on publicity provides otherwise, or there are particular circumstances which justify a different approach.

Publicity informs the public, ICAEW stakeholders and the membership about the outcomes of regulatory actions and helps to foster trust in the fairness and effectiveness of those processes. Any decision in relation to publicity must be made in accordance with ICAEW's applicable policy on publicity and the relevant regulatory framework.

6.8 Previous ICAEW regulatory or disciplinary findings

The Committee should consider any relevant previous ICAEW regulatory or disciplinary findings only after determining the appropriate category of breach, the seriousness of the conduct and the indicative starting point for the proposed regulatory financial penalty.

This approach helps ensure fairness and avoids undue prejudice by ensuring that the Committee first assesses the current breaches or failures on their own facts and circumstances before it is informed of and considers any previous regulatory or disciplinary history.

When considering previous findings, the Committee should have regard to:

- the relevance of the previous findings to the current matter;
- the nature and seriousness of the previous breaches;
- the timing of the previous findings, including whether they demonstrate that the accredited firm was on notice regarding the standards expected;
- any remedial action or evidence of improved compliance following the previous findings; and
- the impact of the previous findings on public confidence in the profession and legal services regulation.

The weight to be attached to any previous findings will depend on the circumstances of the case.

Indicative Sanctions table – Legal Services

1. LEGAL SERVICES

	Allegation	Starting Point	Aggravating Factors	Mitigating Factors
a.	**Failure by the accredited legal services firm to ensure that individuals conducting or controlling the conduct of authorised legal services work are Authorised Individuals under the Legal Services Regulations**			
	N/A	Referral or A category D financial penalty or a fine equal to 1.5 x legal services fee income (whichever is greater)	• Conduct was dishonest, reckless or intentional • Concealment of wrongdoing • Concerns/errors/issues or Poor quality of work over relevant period • Post-dates issuance of ICAEW regulatory guidance	• Immediate action taken once became aware of the breach • Up to date regulatory or monitoring information suggesting issues have been addressed. • Procedures introduced to avoid recurrence • Pre-dates issuance of ICAEW regulatory guidance. • Genuine oversight or administrative error rather than intentional non-compliance • Appropriately qualified and/or up to date with knowledge

b.	**Failure by the accredited legal services firm to ensure that it has at all times a Head of Legal Practice and a Head of Finance and Administration who are approved in that capacity by ICAEW**			
i.	Very serious	Referral or a category D financial penalty	• Failure to act appropriately on the knowledge of the breach in a timely manner • The breach resulted in other breaches of the Legal Services Regulations	• Genuine oversight or administrative error rather than intentional non-compliance • Member is frustrated in complying by matters beyond their control • Evidence that compliance has continued during the period of the breach
ii.	Serious	Referral or a category E financial penalty	• Failure to act appropriately on the knowledge of the breach in a timely manner • The breach resulted in other breaches of the Legal Services Regulations	• Genuine oversight or administrative error rather than intentional non-compliance • Member is frustrated in complying by matters beyond their control • Evidence that compliance has continued during the period of the breach
iii.	Less serious	A category F financial penalty	• Failure to act appropriately on the knowledge of the breach in a timely manner • The breach resulted in other breaches of the Legal Services Regulations	• Genuine oversight or administrative error rather than intentional non-compliance • Member is frustrated in complying by matters beyond their control • Evidence that compliance has continued during the period of the breach

c.	**Failure by the accredited legal services firm to ensure that at all times any non-authorised persons holding material interests in the firm are approved in that capacity by ICAEW**			
i.	Very serious	Referral or a category D financial penalty	• Failure to act appropriately on the knowledge of the breach in a timely manner • The breach resulted in other breaches of the Legal Services Regulations	• Genuine oversight or administrative error rather than intentional non-compliance • Member is frustrated in complying by matters beyond their control • Evidence that compliance has continued during the period of the breach
ii.	Serious	Referral or a category E financial penalty	• Failure to act appropriately on the knowledge of the breach in a timely manner • The breach resulted in other breaches of the Legal Services Regulations	• Genuine oversight or administrative error rather than intentional non-compliance • Member is frustrated in complying by matters beyond their control • Evidence that compliance has continued during the period of the breach
iii.	Less serious	A category F financial penalty	• Failure to act appropriately on the knowledge of the breach in a timely manner • The breach resulted in other breaches of the Legal Services Regulations	• Genuine oversight or administrative error rather than intentional non-compliance • Member is frustrated in complying by matters beyond their control • Evidence that compliance has continued during the period of the breach
d.	**Failure to obtain affiliate status when required**			

	N/A	A category F financial penalty	• Wilful failure • On notice of the requirement but failed to take action • Breach not corrected or slow to correct breach	• Immediate action taken once became aware of the breach • Genuine oversight or administrative error rather than intentional non-compliance • Relied on someone else to notify of changes and/or deal with compliance matters[1]
e.	**Breach of the eligibility requirements for an accredited legal services firm**			
	N/A	A category E financial penalty and any fees saved.	• Wilful failure • On notice of the requirement but failed to take action. • Failed to act appropriately • Indication of systemic weaknesses • Slow to correct the breach	• Immediate action taken once became aware of the breach • Implementation of enhanced controls and training to prevent recurrence
f.	**Breach by the Head of Legal Practice or Head of Finance and Administration of their duties under the Legal Services Regulations and the Legal Services Act 2007**			

[1] It will be a matter for the committee as to whether the reliance was appropriate in the particular circumstances of the case

i.	Very serious non-compliance with the requirements	Referral		• Member is frustrated in complying by matters beyond their control
ii.	Serious non-compliance with the requirements	Referral or a category E financial penalty		• Member is frustrated in complying by matters beyond their control
iii.	Less serious non-compliance with the requirements	Referral or a category F financial penalty		• Member is frustrated in complying by matters beyond their control
g.	**Failure by the Accredited Legal Services firm to comply with the requirements of the Legal Services Regulations**			

i.	Very serious non-compliance with the requirements	Referral	• Significant work completed while in breach • Number of clients affected • Number of instances • Intention to mislead • Impact on client of third parties • Indication of systemic weaknesses	• Immediate action taken once became aware of the breach Minimal work completed while in breach • Genuine oversight or administrative error rather than intentional non-compliance • Procedures introduced to avoid recurrence • Member is frustrated in complying by matters beyond their control
ii.	Serious non-compliance with the requirements	Referral or a category D financial penalty	• Significant work completed while in breach	• Immediate action taken once became aware of the breach • Minimal work completed while in breach • Genuine oversight or administrative error rather than intentional non-compliance • Member is frustrated in complying by matters beyond their control
iii.	Less serious non-compliance with the requirements	Referral or a category E financial penalty	• Significant work completed while in breach	• Immediate action taken once became aware of the breach

				• Minimal work completed while in breach • Genuine oversight or administrative error rather than intentional non-compliance • Member is frustrated in complying by matters beyond their control
h.	**Failure to carry out and/or document an annual compliance review**			
	N/A	A category F financial penalty	• Breach remains uncorrected	• Breach corrected immediately following identification of the breach • Procedures introduced to avoid recurrence
i.	**Failure to monitor the diversity of the accredited legal services firm's principals and employees and publish the findings of the monitoring**			
	N/A	A category F financial penalty	• Breach remains uncorrected	• Breach corrected immediately following identification of the breach • Procedures introduced to avoid recurrence
j.	**Failure to engage with and/or cooperate following a QAD visit, including failure to respond to correspondence following the closing visit and/or failure to engage with and/or co-operate with the Regulation and Conduct Department**			

i.	There has been a complete failure to co-operate	Referral and/or withdrawal of registration /licence and/or a category C financial penalty	• Deliberate or wilful refusal to cooperate or respond. • Prolonged or repeated failure to engage with the QAD or ICAEW • Behaviour which has frustrated the regulatory oversight process. • Attempts to obstruct or evade further regulatory scrutiny.	• Relied on someone else to deal with compliance matters[1]
ii.	Partial failure to comply	Referral or a category D financial penalty	• Still not complied with condition and/or restriction and/or requirement imposed	• Relied on someone else to deal with compliance matters[1]
iii.	There has been full co-operation but not within the required timescale	A category E financial penalty	• Deliberate or wilful refusal to cooperate or respond. • Prolonged or repeated failure to engage with the QAD or the Conduct Department. • Behaviour which has frustrated the regulatory oversight process. • Attempts to obstruct or evade further regulatory scrutiny	• Relied on someone else to deal with compliance matters[1]
k.	**Refusing to accept a visit from QAD**			

	N/A	Withdrawal of registration/licence and/or Referral	• Refusal to take action or correct • Evidence of deliberate frustration of attempts to organise/undertake visit	
l.	**Failure to comply with an assurance given following a QAD visit**			
	N/A	**Single breach** A category F financial penalty **Multiple breaches** A category F financial penalty per breach	• Member informed of requirement by ICAEW and continued to fail to comply • Correct advice given by ICAEW or another and ignored • Period of time in excess of a year • Breach not corrected or slow to correct the breach	• Action taken once became aware of the breach • Period of time less than a year • Breach rectified as soon as it was brought to their attention
m.	**Failure to comply with a condition and/or restriction and/or decision imposed by the Legal Services Committee or an undertaking given to the Legal Services Committee**			

i.	There has been a complete failure to comply	Referral	• Blatant disregard, total absence of effort made to comply	• Breaches corrected immediately following the allegation • Procedures introduced to avoid recurrence • Member is frustrated in complying by matters beyond their control
ii.	There has been partial compliance	Referral or a category C financial penalty	• Blatant disregard, total absence of effort made to comply	• Breaches corrected immediately following the allegation • Procedures introduced to avoid recurrence • Member is frustrated in complying by matters beyond their control
iii.	There has been full compliance but not within the required timescale set by the committee	A category E financial penalty	• Blatant disregard, total absence of effort made to comply	• Breaches corrected immediately following the allegation • Procedures introduced to avoid recurrence • Member is frustrated in complying by matters beyond their control
n.	**Failure to comply with an order of the Legal Services Committee**			

i.	There has been a complete failure to comply	Referral	• Blatant disregard, total absence of effort made to comply • Nature of inefficiency and effect on clients	• Member is frustrated in complying by matters beyond their control
ii.	There has been partial compliance	Referral or a category C financial penalty	• Blatant disregard, total absence of effort made to comply • Nature of inefficiency and effect on clients	• Member is frustrated in complying by matters beyond their control
iii.	There has been full compliance but not within the time frame set by the committee	A category E financial penalty	• Blatant disregard, total absence of effort made to comply • Nature of inefficiency and effect on clients	• Member is frustrated in complying by matters beyond their control

2. CLIENTS' MONEY OFFENCE WHERE THERE IS NO ALLEGATION OF DISHONESTY OR MISAPPROPRIATION

	Allegation	Starting Point	Aggravating Factors	Mitigating Factors
a.	**Clients' money paid into a firm's office bank account where the office bank account is in credit**			
i.	More than £500,000 held in the office bank account for more than seven days	Referral	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Appropriate controls were in place, including the use of a ring-fenced account. • Genuine oversight or administrative error rather than intentional non-compliance.
ii.	More than £500,000 held in the office bank account for less than seven days	Referral	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Appropriate controls were in place, including the use of a ring-fenced account. • Genuine oversight or administrative error rather than intentional non-compliance.

iii	Between £100,000 and £500,000 held in the office bank account for more than seven days	Referral or a category C financial penalty	• Large number of clients involved • Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Appropriate controls were in place, including the use of a ring-fenced account. • Genuine oversight or administrative error rather than intentional non-compliance.
iv.	Between £100,000 and £500,000 held in the office bank account for less than seven days	Referral or a category D financial penalty	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Appropriate controls were in place, including the use of a ring-fenced account. • Genuine oversight or administrative error rather than intentional non-compliance.
v.	Between £20,000 and £100,000 held in the office bank account for more than seven days	A category D financial penalty	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Appropriate controls were in place, including the use of a ring-fenced account.

				• Genuine oversight or administrative error rather than intentional non-compliance.
vi.	Between £20,000 and £100,000 held in the office bank account for less than seven days	A category E financial penalty	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Appropriate controls were in place, including the use of a ring-fenced account. • Genuine oversight or administrative error rather than intentional non-compliance.
vii	Less than £20,000 held in the office bank account for more than seven days or repeated holding of sums less than £20,000	A category E financial penalty	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Appropriate controls were in place, including the use of a ring-fenced account. • Genuine oversight or administrative error rather than intentional non-compliance.

viii.	Less than £20,000 held in the office bank account for less than seven days	A category F financial penalty	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Appropriate controls were in place, including the use of a ring-fenced account. • Genuine oversight or administrative error rather than intentional non-compliance.
b.	**Clients' money paid into a firm's office back account where the office bank account is overdrawn**			
i.	More than £500,000 held in the office bank account for more than seven days	Referral	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Genuine oversight or administrative error rather than intentional non-compliance.

ii.	More than £500,000 held in the office bank account for less than seven days	Referral	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Genuine oversight or administrative error rather than intentional non-compliance.
iii.	Between £100,000 and £500,000 held in the office bank account for more than seven days	Referral	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Genuine oversight or administrative error rather than intentional non-compliance.
iv.	Between £100,000 and £500,000 held in the office bank account for less than seven days	Referral or a category C financial penalty	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Genuine oversight or administrative error rather than intentional non-compliance.
v.	Between £20,000 and £100,000 held in the office bank account for more than seven days	Referral or a category C financial penalty	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter.

				• Genuine oversight or administrative error rather than intentional non-compliance.
vi.	Between £20,000 and £100,000 held in the office bank account for less than seven days	Referral or a category D financial penalty	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Genuine oversight or administrative error rather than intentional non-compliance.
vii.	Less than £20,000 held in the office bank account for less than seven days or repeated holding of sums less than £20,000.	A category D financial penalty	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Genuine oversight or administrative error rather than intentional non-compliance.
viii.	Less than £20,000 held in the office bank account for less than seven days	A category E financial penalty	• Significant financial benefit	• Prompt rectification of the breach. • The breach was limited to a single client matter. • Genuine oversight or administrative error rather than intentional non-compliance.

c.	**Clients' money received in connection with authorised legal services work is not kept separate from other clients' monies**			
	N/A	Referral or a category E financial penalty	• Significant financial benefit	• Single occurrence • Breaches corrected immediately following the breach being identified • Procedures introduced to avoid recurrence • Genuine administrative error rather than intentional non-compliance. • Firm is frustrated in complying by matters beyond their control
d.	**Client money incorrectly held in a client account of another legal entity connected to the firm**			
	N/A	Referral or a category E financial penalty	• Large number of clients involved • Substantial amounts involved • Breach remains uncorrected	• Single occurrence • Breach corrected immediately following the breach being identified • Procedures introduced to avoid recurrence • Genuine administrative error rather than intentional non-compliance • Firm is frustrated in complying by matters beyond their control
e.	**More than £10,000 held for more than 30 days in the general client bank account without being transferred to a designated client bank account**			
	N/A	Referral or a category E financial penalty	• Significant financial benefit	• Breaches corrected immediately following the breach being identified

				• Procedures introduced to avoid recurrence • Genuine administrative error rather than intentional non-compliance. • Firm is frustrated in complying by matters beyond their control.
f.	**Failure to obtain notification from the bank confirmation of the trust status of the client bank accounts**			
	N/A	A category F financial penalty	• Breach remains uncorrected • Long period of time before the breach was corrected after notified of allegation	• Firm is frustrated in complying by matters beyond their control. • Evidence of reasonable efforts to comply
g.	**Withdrawal from a client bank account without the client's written authority or in accordance with a written contract between the firm and the client**			
	N/A	Referral	• Significant financial benefit	• Breach corrected immediately following the allegation • Procedures introduced to avoid recurrence • Verbal authority obtained from client which is later confirmed in writing
h.	**Withdrawal from a client bank account for, or towards, payments of fees without either an agreement in writing to the precise amount by the client or 30 days have elapsed since the delivery of the fee note**			
	N/A	Referral	• Significant financial benefit	• Breach corrected immediately following identification of the breach • Procedures introduced to avoid recurrence

i.	**Failure to ensure that the total credit balances held for all clients is at least equal to the total balance held in the client bank account**			
	N/A	Referral or a category D financial penalty	• Significant financial benefit	• Genuine administrative error rather than intentional non-compliance. • Procedures introduced to avoid recurrence
j.	**Failure to maintain appropriate records, including reconciliations**			
	N/A	Referral or a category E financial penalty	• Breach remains uncorrected	• Breach corrected immediately following identification of the breach • Procedures introduced to avoid recurrence • Small amount of transactions
k.	**Failure to carry out and/or document an annual compliance review**			
	N/A	Referral or a category E financial penalty	• Breach remains uncorrected	• Breach corrected immediately following identification of the breach • Procedures introduced to avoid recurrence
l.	**Failure to ensure that the client bank account is only used for lawful and/or legitimate purpose and/or for bona fide transactions**			
i.	Very serious	Referral	• Large sums of monies involved • Indication of systemic weaknesses • Sources of funds unknown • Significant financial benefit	• Breach corrected immediately following identification of the breach • Procedures introduced to avoid recurrence

ii.	Serious	Referral or a category C financial penalty	• Large sums of monies involved • Indication of systemic weaknesses • Sources of funds unknown • Significant financial benefit	• Breach corrected immediately following identification of the breach • Procedures introduced to avoid recurrence
iii.	Less serious	A category D financial penalty	• Large sums of monies involved • Indication of systemic weaknesses • Sources of funds unknown • Significant financial benefit	• Breach corrected immediately following identification of the breach • Procedures introduced to avoid recurrence
m.	**Failure to return client money promptly**			
		A category E financial penalty	• Deliberate act for gain e.g. to manage cashflow or other financial gain • Delay follows requests or reminders from client and/or third parties	• Firm has made attempts to return the monies