Information Paper on Draft New Practice Rules and Guidance to be presented at the Annual General Meeting 19 June 2025

New draft Practice Rules will be presented at the AGM 19 June 2025 for information and comments. These draft Practice Rules propose changes to the Accounts Rules (B6), the Money Laundering Rules (B9) and the Incidental Financial Business Rules (C2).

New Guidance has also been drafted to assist members with interpretation of the new Rule B6.25 and new Guidance to Rule B3.6 (Advertising and Promotion) to emphasise firms’ responsibility for the activity of others who promote the firms’ services.

The proposed changes have been approved in principle by the Regulatory Committee and the Lord President’s Private Office.

A summary of the proposed changes is set out below:

**Rule B6**

* Two new draft rules are proposed to be added to the rules at B6 and will be applicable to all practice units. The first new rule requires all practice units to maintain a central record of all trusts where a trustee is connected to the practice unit (subject to an exception). The record must include specified information and the Society can request a copy of the record at any time. This is intended to improve record keeping in relation to trusts by all practice units so that better information may be available, should the practice unit cease. The second new rule is intended to clarify the responsibilities of a practice unit to which files and papers are passed from a ceased firm.

**Rule B9**

* In relation to the Money Laundering Rules (B9) it was considered that the Society’s AML regime would be further strengthened by including a “dishonesty” rule, equivalent to the one already in the Accounts Rules, within the Money Laundering Rules which could be applied in response to situations such as : a general and reckless disregard for the requirements of the money laundering regulations (as opposed to the findings on individual transactions); the deliberate provision of false or misleading information to information requests from the Society related to AML inspection/investigation.

Further amendments aim to simplify wording regarding reinspection charges and to enable more flexibility regarding fair and proportionate charging for reinspection.

**Rule C2**

* The proposed changes to Rule C2 in relation to Incidental Financial Business amend the definition of an accounting period at C2.1.1 to require annual submission rather than every 6 months, remove Rule C2.18 and amend C20.4 to remove the requirement to report on all inspections and use wording from

the Accounts Rules on inspections – “if considered necessary to do so”.

These draft Practice Rules are presented at the AGM for the information and comments of members. Any comments from members will be considered by the Regulatory Committee before the Rules are presented to the Lord President for his formal approval.

Further Documents:

Appendix A - Draft Amendment Rules

Appendix B – Tracked changes to Money Laundering Rules

Appendix C – Guidance to new Rule B6.25 and Rule B3.6

**Appendix A - Draft Amendment Rules**

**THE LAW SOCIETY OF SCOTLAND PRACTICE RULES (AMENDMENT RULES) 2025**

Rules dated [ ] 2025 made on behalf of the Council of the Law Society of Scotland by the Regulatory Committee formed in accordance with section 3B(1) of the Solicitors (Scotland) Act 1980 under sections 34(1) and 34(1D) of that Act and approved by the Lord President under section 34(3) of that Act and, in the case of rule 5 hereof, also approved by the Financial Conduct Authority in terms of section 332(5) of the Financial Services and Markets Act 2000.

**Citation and Commencement**

1.- (1) These rules may be cited as The Law Society of Scotland Practice Rules (Amendment Rules) 2025.

(2) These rules shall come into operation on [ ] 2025.

**Definition and Interpretation**

2.- (1) In these rules, the "Principal Rules" shall mean The Law Society of Scotland Practice Rules 2011.

(2) The Interpretation Act 1978 applies to the interpretation of these rules as it applies to the interpretation of an Act of Parliament.

**Amendments to the Principal Rules**

3.- Rule B6 of the Principal Rules is amended by inserting the following after rule B6.23 as new rules 6.24 and 6.25:

“6.24.1 Subject to rule 6.24.2, every practice unit shall ensure that it maintains a complete central record of every trust in respect of which any of the following are trustees (whether or not in combination with any other entity or person):

(a) any regulated person who is a manager or employee of the practice unit;

(b) any body (corporate or unincorporate) owned or controlled by the practice unit or any of its managers or employees.

6.24.2 The central record need not include details of any trust where the appointment of the relevant regulated person was not made in the course of that person’s practice.

6.24.3 The central record referred to in rule 6.24.1 shall include the following information:

1. Name of trust
2. Date of trust
3. Settlor
4. File reference(s)
5. Type of trust for tax purposes (in respect of all relevant taxes)
6. Details of Trustees (including original trustees and any changes and the contact details of all current trustees)
7. Whether or not the trust requires to be registered on the Trusts Registration Service (TRS)
8. Where the trust requires to be registered on the TRS, the date of its registration (or the date by which such registration is required) and all the other information required for registration on the TRS and to ensure that information provided to the TRS is accurate;
9. Key dates – the date of termination, vesting of any assets, the ten-year anniversary of the trust and HMRC filing deadlines
10. Details of assets held (including, in respect of assets comprising heritable property, the location of title deeds for that property).

6.24.4 Every practice unit shall provide to the Society, within 21 days of request, a copy of the central record referred to in rule 6.24.1 and shall also make same available to any person carrying out any inspection or investigation under or pursuant to rule 6.

6.25.1 Where any regulated person and/or practice unit obtains or takes custody of any assets belonging to the clients of another regulated person or practice unit (or former regulated person or former practice unit) then the regulated person and/or practice unit holding such assets shall:

1. As soon as is reasonably practicable (i) identify the persons to whom such assets belong; (ii) identify the persons authorised to provide instructions as to the treatment of such assets; (iii) ascertain the urgency with which any instructions may be required as to the treatment of such assets, so as to protect the best interests of the persons to whom any such assets belong; (iv) seek instructions timeously so as to protect such best interests; and (v) timeously implement any instructions received as to the treatment of such assets, so as to protect such best interests.
2. Safeguard such assets as if they were assets of clients of the regulated person and/or practice unit.
3. Maintain confidentiality as if the persons to whom such assets belong were clients of the regulated person and/or practice unit.
4. Treat assets which comprise money as ‘client’s money’ in terms of Rule B6, but hold same in a separate client account until such time as (i) they accept instructions (from a person duly authorised to provide such instructions) to act for the owner of the money, on the occurrence of which event the money may be transferred to the practice unit’s usual client account; or (ii) they receive instructions (from a person duly authorised to provide such instructions) to transfer the money to its owner, or to another regulated person or practice unit acting for that owner, on the occurrence of which event the money may be transferred in accordance with those instructions.

6.25.2 For the purposes of this rule 6.25 ‘assets’ includes money, files and other documents (held in any format), wills, deeds, investments, and other property.”

4.- Rule B9 of the Principal Rules is amended as follows:

(1) In rule B9.16:

(a) the words “of the supervised person” are revoked;

(b) substitute “regulated person which is the subject of such further review, inspection or investigation” for “supervised person” where it second occurs;

(c) the words “, or may agree with the supervised person that he will pay,” are revoked;

(d) the words from “, provided always” to the end of rule B9.16 are revoked.

(2) In rule B9.17:

(a) for the words “daily rate” substitute “fair and proportionate charging approach”;

(b) the words “by the Secretary” are revoked;

(c) substitute “regulated” for “supervised”.

(3) In rule B9.18:

(a) substitute “any regulated person upon which” for “a supervised person upon whom”;

(b) the words “, or with whom an agreement in terms of rule 9.16 has been reached,” are revoked;

(c) the words “The supervised person shall make such payment” are revoked.

(4) In rule B9.19 the words “by a supervised person” are revoked.

(5) After rule B9.19 insert the following as new rule B9.20:

“9.20 A regulated person shall not act, or omit to act, in a manner which is dishonest, reckless or intentionally misleading in respect of the regulated person’s (a) compliance with the Money Laundering Regulations and rule 9; or (b) provision of information required by the Society in fulfilling its functions as a supervisory authority in terms of the Money Laundering Regulations.”

5.- Rule C2 of the Principal Rules is amended as follows:

(1) In rule C2.1.1 in the definition of “accounting period” for “six” substitute “twelve”.

(2) Rule C2.18 is revoked and the words *‘Not used’* inserted in its place.

(3) In rule C2.20.4 insert at the end thereof “to the extent they consider it necessary to do so.”

**Appendix B - Tracked Changes to Money Laundering Rule B9**

(Additions to the Rules are marked in red)

9.16 If the Council instructs a further review, inspection, or investigation ~~of the supervised person~~ under rule 9.15 the Council may, by giving notice, require ~~the supervised person~~ the regulated person which is the subject of such further review, inspection or investigation to pay~~, or may agree with the supervised person that he will pay,~~ the reasonable costs of any such further review, inspection or investigation.~~,~~ ~~provided always that such notice is given to the supervised person, or such agreement is reached with the supervised person, not more than twelve months after the date of the immediately preceding review, inspection, or investigation.~~

9.17 The costs referred to in rule 9.16 shall be determined by reference to a ~~daily rate~~ fair and proportionate charging approach which shall be prescribed by the Council from time to time. The amount of any such costs shall be intimated ~~by the Secretary~~ to the ~~supervised~~ regulated person following such further review, inspection, or investigation.

9.18    It shall be the duty of ~~a supervised person~~ any regulated person upon ~~whom~~ which a notice in terms of rule 9.16 has been served~~, or with whom an agreement in terms of rule 9.16 has been reached,~~ to make payment of the amount of costs intimated in terms of rule 9.17~~. The supervised person shall make such payment~~ in accordance with the payment terms stated in the invoice issued by the Society in respect of such costs.

9.19    Any sum paid ~~by a supervised person~~ in terms of rule 9.18 shall accrue to the Society.

9.20 A regulated person shall not act, or omit to act, in a manner which is dishonest, reckless or intentionally misleading in respect of the regulated person’s (a) compliance with the Money Laundering Regulations and rule 9; or (b) provision of information required by the Society in fulfilling its functions as a supervisory authority in terms of the Money Laundering Regulations.

**Appendix C - Guidance to Rule B6.25 and B3.6**

**Proposed Guidance related to the second proposed new rule [B6.25]**

A practice unit holding assets in this scenario is expected to:

1. Identify what assets are held and to whom they belong
2. Identify who may issue instructions
3. Inform owners of assets of location of assets and basis on which held
4. Identify where action is required to protect the interests of the owners of the assets – and seek instructions on those matters within a timescale which would allow them to be implemented (either by the practice unit holding the assets or another practice unit to whom they are instructed to transfer the assets) and which avoids prejudice to the interests of the owners of the assets. Practice units should triage matters to identify appropriate prioritisation.

Before seeking instructions the practice unit should check whether or not they would be able to act, should they be asked to do so – that includes completing a conflict check and checking that they have the necessary experience, expertise and resources to enable the work to be done adequately and completely within a reasonable time (bearing in mind any urgency and the resources available to the practice unit). If the practice unit would not be able to take the instructions on and comply fully with the obligations they would owe to the persons who would then be their clients, then they need to promptly advise the person from whom they are seeking instructions that they cannot act – and ask to whom the assets should be transferred.

Where the regulated person and/or practice unit holding such assets receives and accepts instructions to act for the person to whom any asset belongs (from any person duly authorised to provide such instructions) then the person to whom the relevant asset belongs is then a client of the regulated person and/or practice unit.

*The draft Guidance, once uploaded onto the Society’s website, will also include links to relevant existing Guidance items, including that on Mandates here* [*B3: Mandates | Law Society of Scotland*](https://www.lawscot.org.uk/members/rules-and-guidance/rules-and-guidance/section-b/rule-b3/guidance/b3-mandates/)

**Separate Proposed new Guidance B3.6**

*To be linked to rule B3 (Advertising and Promotion). The proposed Guidance is intended to highlight rule B3.6 which says:*

*“3.6 Any advertisement, promotional material or promotional activity of or by you (whether or not you are named or referred to therein) and any advertisement, promotional material or promotional activity of or by a third party which relates to your services shall be presumed to have been issued or promoted with your authority.”*

Proposed new wording:

It is emphasised that this means that you are responsible for activity by others (such as independent financial advisers, for example) who promote your services in a way which contravenes the rules.