



Singapore law firms tighten purse strings, adapt to changes in demand

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They face receivable collection issues, cancelled M&A deals; but demand has surged for restructuring and insolvency, private wealth investments.

Pay cuts, trimmed distributions, delayed bonuses - lawyers in private practice are bracing for pain as the Covid-19 crisis disrupts the sector and rejigs the flow of legal work.

As businesses struggle with cash flow and liquidity problems, a "fair number" of law firms will also face receivable collection issues, clients' requests for haircuts and instalment payment proposals, Gregory Vijayendran, president of the Law Society of Singapore (LawSoc) told The Business Times (BT). "A few clients may even pull the plug on deals they were hitherto planning or disputes they were litigating due to their financially beleaguered state," he added.

Most law firms with a diversified practice mix told BT that, on balance, they still see a steady stream of work.

But some anticipate a dip in the coming months. Squire Patton Boggs Singapore's managing partner Ignatius Hwang believes lawyers in the region will likely see their inflow of work "severely affected", at least

for the next two quarters.

Eugene Thuraisingam LLP said a decrease in work coming in is not unexpected as most non-essential businesses are shut. Further, people are putting off non-urgent legal matters as they are unable to meet their lawyers face-to-face to discuss sensitive and confidential issues, the firm's partner Eugene Thuraisingam said.

Operating in crisis mode, law firms have turned to cost management and cash conservation, although most stressed that they remain in a strong financial position and were acting out of prudence given the evolving challenges and the pandemic's long-term impact.

Dozens of firms have deferred bonuses. Partner profit distributions are being cut, deferred or phased over a longer period at Herbert Smith Freehills, Clifford Chance, Allen & Overy (A&O), Hogan Lovells, Norton Rose Fulbright and more. Salary reviews or merit increases have been put on hold at a slew of firms including Reed Smith, Baker McKenzie Wong & Leow, Clifford Chance, A&O, Hogan Lovells and Herbert Smith Freehills.

Both A&O and Herbert Smith Freehills have raised partner capital levels as well. Norton Rose Fulbright is reducing or postponing all non-business critical spend.

At TSMP Law Corporation, partners are taking a 25 per cent pay cut to "stand in solidarity" with clients, joint managing partner Stefanie Yuen-Thio told BT. It is also suspending partnership payouts from the prior year's earnings to preserve cash flow.

Likewise, pay cuts were introduced at Reed Smith, starting in March with a temporary reduction in salaries for fixed-share partners. It is now lowering counsel's base pay by 10 per cent for the next three months, said Singapore office managing partner Peter Zaman. Reed Smith associates will see their pay cut by 15 per cent for four months starting May.

As for alternative working arrangements, Baker McKenzie Wong & Leow is offering the options of reduced hours, unpaid leave or sabbaticals, managing principal Andrew Martin said. Norton Rose Fulbright is mulling shorter work weeks for some regions, although it will not introduce this in Singapore for now, "as a result of government support that's available".

Firms bucking the trend with no such cuts planned include Withers KhattarWong, which is monitoring its resources and continues to invest in technology and remote-working solutions, said partner Daniel Yong. RHTLaw Asia mulled compulsory no-pay leave, but suspended implementation in view of the requirements of the Jobs Support Scheme.

At PKWA Law, pay cuts and furloughs are not on the cards for its family law and litigation team, but "this may change if the situation becomes bad for us", said Lim Chong Boon, head of family law and litigation.

Clifford Chance on May 1 promoted to its partnership five lawyers in Asia-Pacific including two in Singapore in its corporate practice, while TSMP continues to identify and cultivate high-potential candidates. "The post-pandemic world will be a good time to hire the brightest legal brains because there will be a glut of lawyers," Ms Yuen-Thio said.

While cases dry up in certain legal fields, demand is swelling in others. "The nature of legal work is changing with court closures and with an evolving deal market," Reed Smith's Mr Zaman said. "A greater percentage of work has shifted to counselling clients."

Bearing the brunt of the fallout are the fields of corporate and commercial law. Transactions, as well as mergers and acquisitions (M&As), have almost ground to a halt. As valuations decline and parties reevaluate their positions, corporate M&A and capital markets will be hard hit, RHTLaw Asia managing partner Azman Jaafar said.

Baker McKenzie Wong & Leow's Mr Martin found the pipeline "not looking as strong as in recent years" for traditional big-ticket deal making. "That said, there'll be opportunities to acquire distressed companies in industries such as aviation, energy and retail, as well as listed entities more broadly, given the prospect of a continuing fall in valuations."

Herbert Smith Freehills is seeing some investors returning to the South-east Asian market for new deals and to take advantage of lower asset prices. Likewise, Hogan Lovells' international clients are still pursuing investment opportunities in Asia, albeit with longer timelines and additional due diligence given the economic uncertainties, said Stephanie Keen, its Singapore managing partner.

On the other hand, demand has surged for counter-cyclical practice areas such as restructuring and insolvency, commercial disputes, international arbitration, employment, and private wealth investments, said Mr Yong from Withers KhattarWong.

LawSoc's Mr Vijayendran noted the "glimmer of hope" in these areas, which will help companies build resilience and right-size to bounce back.

Restructuring work in particular is seeing a boost - in finance, investments and deals as well as larger operational restructurings, Herbert Smith Freehills observed.

Delayed or cancelled transactions, disrupted supply chains, sharp falls in earnings, concerns over contracts' commercial viability, major event cancellations and decreased consumer activity are feeding demand for legal services in the areas of disputes, regulation and trade, Ms Keen said.

Reed Smith and Norton Rose Fulbright have both observed an uptick of work in advice around commercial contracts and supply chains, including for disputes related to force majeure. TSMP is advising more on

creditors' and stakeholders' rights and strategies, given the "massive impending corporate failures".


In infrastructure, most projects in the Asia-Pacific are deferred but not cancelled, Mr Hwang said. "Our regional infrastructure practice may see some upside when the pandemic blows over, if countries inject more dollars into infrastructural projects to pump-prime the economy."

A wave of digitalisation in traditional businesses is also likely. Herbert Smith Freehills' technology, media and telecoms team has seen temporary measures for lockdowns developing into long-term strategies. Ms Yuen Thio also noted the specialist areas of data privacy, cyber crime and media are set to grow in significance.

Family law practitioners, meanwhile, are seeing a steady inflow of work. This could be because family law disputes are more prevalent during a partial lockdown which brings out simmering tensions, according to PKWA's Mr Lim. He added that more people are asking about their rights in divorce, child and wife maintenance - particularly after job losses or pay cuts - and child access during the movement restrictions.

In view of the demand shifts, Mr Jaafar noted that it will not be a zero-sum game, and the regional market will have a lot to offer law firms that are more prepared to take on the challenge. "It'll be a question of how fast we re-tool our existing resources to meet new market demands."

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 7206

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