

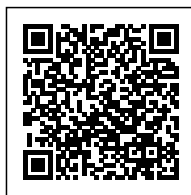
MERRILL-LYNCH ESPAÑA: THE VIEW FROM THE 40TH FLOOR

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From his 40th floor office in Madrid's Torre Picasso, Joaquín Calderón can see the Real Madrid's famous Bernabeu stadium. But his busy schedule as General Counsel at one of the world's largest investment banks means that he has been unable to watch a game.

His office also gives him a bird's eye view on the leading Madrid law firms situated in and around the Castellana, a group he knows much better than his local football team. Merrill-Lynch's recent high-profile deals have placed Joaquín at the centre of recent Spanish M&A activity making him an important figure among the legal elite.

Joaquín Calderón habla de su trabajo y de sus prioridades como asesor jurídico de Merrill-Lynch España. Entre otras tareas, es responsable de la selección de abogados con experiencia para cada caso y no considera que reducir costes sea lo más importante. Afirma que prefiere flexibilidad respecto a honorarios, alejándose del cobro por horas y animando a los despachos a que utilicen métodos que permitan compartir parte del riesgo de la operación. Joaquín Calderón utiliza

despachos de abogados anglosajones cuando requiere una cobertura internacional pero advierte que ya no queda mucho espacio libre en el mercado español para otras firmas británicas o norteamericanas

The Role

As a Board Member Joaquín has a senior position with wideranging responsibilities including company secretarial, compliance and the coordination of all legal matters, with the exception of employment which is handled by Human Resources. As the sole local lawyer, he works closely with other specialists around the organisation including the investment banking, trading, and capital markets legal teams in London.

"My role is very wide and is changing with the business as we tailor our services to changing client needs," he says. Most recently this has meant an emphasis on securitisations, IPOs and other capital markets transactions with the marked increase in Spanish M&A activity.

Properties

With Spain's current emphasis on financial regulation, it is not surprising that compliance is at the top of his agenda. "The regulatory regime in Spain is changing quite significantly, as the role of the regulator is maturing. Our senior management is pro-compliance and we have an excellent team on the operational risk side, which is less of a concern."

Joaquín stresses the need to identify potential areas of risk: "Risk is our main concern as it impacts upon the business as a whole. Any risk to our reputation could affect our position with the regulators. Reputation is the most difficult asset to acquire and also most easy to lose." Increasing the profitability of the business within adequate risk parameters is an important priority. "There is a team spirit, we work together to build the franchise."

Selecting Legal Advisers

Joaquín uses a variety of law firms, selecting firms with the specific expertise required for each individual task. Foremost is the existing relationship with an individual or a firm: "We work with certain law firms a lot. It is like having a doctor who knows you well and whom you trust."

The level of legal expertise and knowledge of the financial industry is also a key criterion. For crossborder transactions he will often work with law firms with an international network.

Because Joaquín chooses different firms for their specific expertise, a firm's full-service capability is not always a priority, although the majority of firms he uses are full-service. For litigation, in particular, he may instruct leading individuals who practice alone.

Legal Costs

Interestingly for law firms - who often perceive a downward pressure on legal fees - reducing his overall legal bill is not high on the Joaquín's agenda. "Costs are of course an important criteria but, as these costs are primarily deal related, they increase or decrease as required by the business. Our annual legal spend is not fixed and we accommodate new needs as they arise."

Client Satisfaction

Joaquín is "very satisfied" with the level of service he receives from law firms:

"As you would expect, the law firms I use most often are those I am most satisfied with. They know the pressures we work under and understand we may need to call them at home on a Saturday.

They are very dynamic and proactive. They are commercial and understand our business. For example, if costs are getting high they will call me and warn we so together we can manage the situation properly."

Of the pool of law firms he uses, he says: "Some firms are more sensitive to in-house needs but in general they are all very good lawyers." If things do not work out well, he will take action as required: "We do not formally appraise firms but we will ask for a post mortem when things have not gone as well as I would have expected. There have been firms who have failed to provide the service I wanted, so I do not use them any more."

Anglo-Saxon Law Firms

Joaquín works with the major Anglo-Saxon law firms as his business requires. "The nature of our business – in particular our international exposure - means that we do need to instruct Anglo-Saxon firms. I do not see any difference in the level of service provided by domestic Spanish and their Anglo-Saxon counterparts. If I needed a purely domestic advice, there are local firms that are excellent. But sometimes we need international coverage and the reporting line to the London or New York offices of the Anglo-Saxon firms can be an added advantage".

But he warns that the market place for legal services is nearing saturation. "There is now much more competition in the market, and I do not see much need for any new Anglo-Saxon entrants while activity levels remain as they are."

Enhancements

Although satisfied with service levels, Joaquín is critical of the traditional approach taken by law firms on costs. He would welcome more flexibility, away from billing on an hourly basis, and would like more law firms to consider sharing some of the risks of a transaction. This might include charging less, or even nothing at all, for transactions which do not get off the ground. "I would like the law firms to assume more risk. How much would depend on the amount of work they have done and would need to be decided on a case-by-case basis. But I do believe that people should get paid what they deserve. We are in the same situation with our clients."

Finally, he says he would also welcome more interest from law firms in providing junior lawyers on secondment programmes: "Sometimes it is good for them to work inside a corporate and to get a better understanding of our needs. At Merrill-Lynch they can learn how an investment bank works and what they really do want from their lawyers."