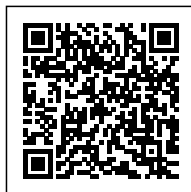


NON-COMPLIANT LAW FIRMS RISK DAMAGING THEIR REPUTATION

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Professional services firms guilty of wrongdoing can go out of business when clients stop trusting them, so every law firm employee must be familiar with compliance policies

It can take a lifetime to build a professional reputation but only a second to lose it. This is why reputational damage is one of the biggest risks law firms can potentially face. Lawyers are in the business of trust – clients must be able to trust you and believe that you are always acting in their interests. If this trust is lost, the effects can be catastrophic – we have seen professional services disappear in the past because of bad behaviour.

The prevention of reputational risk is one of the reasons why it is vital that law firms are compliant. If they are not, law firms could also potentially face the threat of heavy fines or being held responsible

for leaking insider information, for example, or a firm could be found to be in breach of anti-money laundering regulations.

Continuously evolving

So how can law firms ensure they are compliant? The rendering of services involves certain duties – including duties to clients – and, at Allen & Overy, we have internal bodies that ensure we fulfil these duties and comply with the relevant policies. These internal bodies include the Business Protection Unit, which is overseen by partner Andrew Clark, who acts as the firm's global general counsel. We have 39 policies relating to different duties, including duties to different clients in different countries – these duties relate to issues such as insider dealing, market abuse and anti-fraud, for example. There is a general global policy, but there are also different jurisdictional policies. However, risk and legal compliance are dynamic and evolving areas – when we detect a new market risk, we adapt our policies.

All staff are responsible

It's important that everyone who works for a law firm is aware of the organisation's compliance policies. Every associate, partner, or member of the support staff has to complete initial training and then this training continues with periodic questionnaires to check they are aware with the latest developments. Every person has to declare that they are aware of the compliance policies. All law firms have their own approach to risk and ours is very strict.

Clients fear IT risks

What are the current trends with regard to compliance? Among the latest developments affecting law firm compliance are new regulations relating to criminal compliance – this means firms need to take actions that remove the risk of the firm being held liable for criminal activities undertaken by staff in the course of performing their professional duties.

Meanwhile, clients are also increasingly concerned about IT-related risks. From an international perspective, financial institution clients, in particular, are extremely concerned about potential information leaks. In order to counteract this, we implemented a new IT due diligence programme to address issues such as worms and viruses.

Need for constant review

Law firm compliance is something that is demanded by clients. We have strict terms of engagement policies and this often includes anti-fraud policies and anti-corruption policies. Every law firm has to develop policies and always be vigilant. Compliance is not just the responsibility of one person at a law firm, every single member of the law firm must comply with the policies.

In my role, I am already advising clients on compliance so I am able to keep up to date with all the new developments regarding new regulations. But this is one of the biggest challenges I face in my role as the person in charge of compliance in our Madrid office – keeping up with the speed and volume of new regulations as you have to be familiar with all the procedures.

Sadly, there is never any respite from compliance. It's non-stop, law firms need to be reviewing their compliance policies all of the time.

Salvador Ruiz Bachs is the partner in charge of compliance in Allen & Overy's Madrid office