

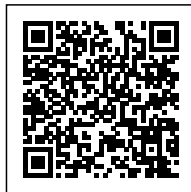
THE END OF THE BEGINNING OF THE CREDIT CRUNCH?

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**Lawyers prepare for changing demands while
also looking to the future**

**A year on from the global sub-prime crisis, are we now through the worst of things?
What do you view as being the main impact of the crisis, and what changes are you
seeing in the immediate commercial and legal needs of clients?**

'I am afraid that in Spain we are not yet through the worst.
We will see a wider impact both in terms of depth and spread.
In general, clients are much more attentive to risks and their
assessment.' José María Balañá, Lovells



'The consensus is that 2009 will fare worse than 2008 and many people say 2010 will also be difficult. The main impact so far is that banking finance is tighter and in some cases just impossible, although this will not last long; loans will be there, though more expensive.' Rafael González-Gallarza, Garrigues
'It is difficult to ascertain if the crisis has already had its peak or not. The main impact of the turbulence is reflected in large crossborder M&A deals and new listings, which have clearly decreased over the past year. Clients are also now more interested in operations aiming at maximising internal efficiency inter alia through corporate governance reshuffling or cash pooling.'

Paulo Cíçmara, Sérvulo & Associados

✘ 'I believe that the key issue is not whether we are through the 'worst of things but rather if the 'nightmare' is over. In my opinion the answer is clearly negative.'

João Magalhães Ramalho, PLMJ

'I am not sure whether we are now through the worst of things, what I know is that things are worse than they were a year ago.'

David Arias, Pérez-Llorca

'The liquidity crisis seems not to be over yet but the feeling is that Portuguese entities and debt issuances are hanging on reasonably, everybody is enduring the hard times the market is crossing. Like Portuguese navigators of the past, some entities even manage to keep their courses steady in rough waters.'

Pedro Casiano, Viera de Almeida

'So far as business sectors are concerned, we are finding some caution and concern by all lending institutions to forward financing. Portuguese banks, however, are less affected than other banks globally, however, no one is immune from the stock market and currency fluctuations.'

Manuel P. Barrocas, Barrocas Sarmiento Neves

'In bearish times, clients needs change to structuring-related work but also to assignments arising out of new takeover, merger and business opportunities as market players adjust to new realities. The turnaround of crises starts at law firms.'

João de Macedo Vitorino, Macedo Vitorino & Associados



How is your firm responding to these emerging requirements – what changes, if any, is your firm making to adapt to the economic situation and the impact on clients?

'We have revisited our service offering in the insolvency department and have adapted it to our client's growing demand of assistance in the area.'

Juan José Terraza, Ernst & Young

'We believe that our firm is prepared to face the changes that the actual economic crisis is bringing forward. Although we will give more emphasis, in terms of recruitment, in the short term, on the practice areas related to the crisis.' Francisco Guijarro, Hammonds

✘ Individual partners and lawyers of course have to respond to the changing needs of clients but the firm itself has not really needed to adopt an immediate solution to this situation. Any preparation began long ago by developing and promoting lawyers that have broad experience, general knowledge and skills that allow them to change areas of practice when and if needed throughout their careers.' Charles Coward, Uría Menéndez

'Garrigues is a true full service firm and we are well equipped to deal with all these needs. We have been doing top class insolvency work and labour redundancies for decades and we have many partners who have lived through previous low cycles.' Rafael González-Gallarza, Garrigues

'We have the flexibility and resources to increase our focus on the more dynamic businesses when there is need. Thus, although some practice areas have suffered more than others from the current economic environment, the firm is globally in very good shape.'

Ricardo Oliviera, PLMJ

El grupo de expertos de Iberian Lawyer considera que afirmar que la economía mundial ha pasado la peor crisis financiera es todavía prematuro. Sin embargo, lo que sí es seguro es que nos aproximamos al principio del fin de la crisis, y los despachos a los que pertenecen nuestros expertos tienen ahora que adaptarse al cambio que sufren las necesidades



jurídicas y de negocio de sus clientes.

Any belief that the global financial markets were improving was doubtless lost with the events on Wall Street in mid-September, say Iberian Lawyer's Group of Experts. Fears over the collapse of Western banking and finance models may have proved premature, but lawyers nonetheless believe that it will be some time before business confidence truly returns.

The issue for law firms now therefore, they say, is how best to react to a stagnant local economy and the inevitably changing needs of clients.

Iberia may have been less affected than some other European economies to the original US sub-prime crisis, and the events on Wall Street, but Spain has already seen its own high profile corporate collapses – following the bursting of the real estate bubble and of ongoing liquidity issues.

It remains clear that events continue to unfold in a dramatic fashion, and many suggest that the issues now facing both clients and law firms are different to even a few months ago. 'It is easy to say that we have not seen the worst of the crisis and that it is no longer a real estate market related financial crisis. It is a crisis of confidence within the entire financial system,' says João De Macedo Vitorino of Macedo Vitorino & Associados.

Such a development prompts some to suggest that it may be up to two years before matters improve, and that the coming months will see law firms increasingly called upon to help prevent, or at least manage, the demise of clients.

'We think the downward economic cycle will continue well into 2009 and the Spanish economy is likely to get worse before it improves. We are seeing a reluctance from certain international investors to enter the Spanish market in the current climate, even outside the real estate sector,' says the managing partner of one UK law firm in Madrid. Francisco Prol at Prol & Asociados agrees that tough times remain ahead, 'I get the impression that we still cannot say that we have reached the bottom of the crisis.'

And if governments are worried by a potential loss of tax revenue as economies shrink, the apparent trend towards increased investigations and enforcements may have an equally negative impact, say some.

'In general, small and medium sized enterprises are being greatly affected by both the credit crunch and tax collection blind action which may throw many to bankruptcy. There are many immediate commercial and legal measures required in this severe crisis but there is no great room to help without one way or another aggravating the government's deficit,' says Carlos de Sousa at Carlos de Sousa e Brito Associados.

But while clients must prepare for the worst and hope for the best, challenging times also bring opportunities, emphasise many lawyers. Bright spots still remain in the

Iberian economy and among law firm practices.

Environmental, IP, public law and regulatory practices continue to see strong levels of demand, as do labour, litigation and arbitration practices. In addition firms report an upturn in requests inevitably for restructuring and refinancing advice, and looking to expand capabilities accordingly, as well as for risk assessment, compliance and due diligence assistance.

Some report the arrival of new types of investment funds, specialising in acquiring distressed assets and debt, and demanding increasing creativity from their legal advisers. Across Iberia there is also continuing consolidation activity within the energy and renewables, infrastructure and now banking and insurance sectors.

'Portugal's biggest public savings bank – CGD – has seen its rating levelled up and we therefore hope that this is a sign that the economy is coping with the current crisis, but it is nevertheless true that the crisis is around,' says Pedro Casiano of Viera De Almeida.

Nonetheless, many believe that it is important for lawyers to remain close to their clients and to provide greater and more dedicated support as finance, structural and employment issues take on more strategic significance.

'The lawyer, as a service provider, must emphasise his proximity to the client who is likely now living a restless life, and worried 24 hours a day. Continuous and very direct contact between lawyer and client, beyond the formality and solemnity of reports and opinions, is necessary to accommodate all the business decisions to be taken in such complex situations,' says Miquel Roca at Roca Junyent.

But in addition some lawyers are already, albeit tentatively, beginning to look ahead and to be ready to react to further changes in client demand as economies settle and the transactional and finance markets once again pick up.

'I doubt that there is much in terms of positive steps that any firm can take in the short run to adapt to the conditions of an economic downturn. Firms that are in trouble can do 'damage control' by cutting non-essential costs and reducing staff and hiring, but these are short term solutions that will ultimately prove expensive in terms of future development,' says Charles Coward, Uría Menéndez.

'Talent at all levels and in all positions is too scarce and too difficult to attract and retain to justify a reversal or even a slowdown on this front.'

While nobody believes that the end of the crisis affecting Europe's economies is near, or that we are even at the

beginning of the end, we are perhaps, suggest some, at the end of the beginning of the initial crisis. And waiting to see what the future will bring.