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JLPW ECONO LEGAL STUDIES  
RESEARCH CENTRE

# EXPANDING LEGAL SERVICES MARKET IN ASIA

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# Introduction

- Introduction
- Changes in cross border legal services in recent years
- Re-emerging and New trends in innovative legal services
- Law firm alliance and cooperation in Asia
- JLPW Asean Legal Group
- Advice for young lawyers in Asia



# Changes in Cross-Border Legal Services

- Many international law firms are expanding across the Asia region by opening branch offices and sealing strategic alliances with local law firms
  - Indonesia
  - Korea
  - Malaysia?
- Relaxation of regulations creating more opportunities in various types of law practice – international firms explore access to new markets.



# Changes in Cross-Border Legal Services

## Example 1: SINGAPORE

- First in ASEAN to liberalise legal services sector in 1990s
  - Formal Law Alliances
  - Joint Law Ventures
  - Qualifying Foreign Law Practices
    - Permitted areas of practice are corporate and commercial areas of law
    - Exclude litigation in Singapore courts, conveyancing and family law.
  - Admission of QCs before courts
- Failures of FLAs and JLVs
- Expansion of permitted practice areas for QFLPs



# Changes in Cross-Border Legal Services

## Example 1: SINGAPORE

- Legal Profession Act has been amended to allow for greater collaboration between Singapore and foreign law firms.
- Individual foreign lawyers who work for Singapore firms will now be able to take a greater profit and equity share in the firm.
- Greater flexibility in how Singapore law firms collaborate with foreign firms.



# Changes in Cross-Border Legal Services

## Example 2: HONG KONG

- Arbitration awards made in Hong Kong are enforceable through the courts of most of the world's trading economies through its being a party to the New York Convention - Seen as a preferred venue for dispute resolution in the region.
- Increased number of Chinese companies listing on the Hong Kong stock exchange has provided a significant volume of work for foreign legal advisors.
- The implementation of *Closer Economic Partnership Arrangement between Hong Kong and the Mainland (CEPA)* in 2004 has further opened up the Chinese mainland's market to Hong Kong's legal service sector.

# Changes in Cross-Border Legal Services

## Example 3: MALAYSIA

- Largest Islamic bond market in the world.
- The *Legal Profession (Amendment) Act 2012* aims at opening up the Malaysian legal sector to foreign law firms and help transform Kuala Lumpur into an international Islamic financial hub. The amendments took effect from June 2014.
- Foreign law firms are allowed to practise as qualified foreign law firms or partner with a local firm as an international partnership in limited prescribed areas of in conjunction with foreign law in cross border transactions. Foreign lawyers are also permitted to work in a Malaysian firm with the same limitations.
- Bar Rules on admission and registration of foreign lawyers and qualified foreign law firms have been drafted. So far, one foreign law firm has indicated they apply for setting up an office in Malaysia

# Change in Cross-Border Legal Services

## Example 4: KOREA

- The *South Korea-EU Free Trade Agreement (FTA)* came into force in July 2011 and the *South Korea-US FTA* began in March 2012 has gradually opening the legal sector to international competition.
- The targeted areas of the legal sector by the foreign law firms are likely to be specialist areas such as inter-company litigation and antitrust cases.





# Prospects in ASEAN

## THAILAND

- Key manufacturing and assembly hub of hard-disk drives and automobiles for Japanese and Western firms.
- Recent political crisis is making the country less attractive to investors.
- E.g. Honda has recently cut its production and holding back its start-up of new plant in the country.
- 50% drop in FDI in 2013





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# Prospects in ASEAN

## VIETNAM

- Challenges of development exist in aspects such as:-
  - low efficiency and competitiveness
  - bottlenecks in the regulatory system
  - poor infrastructure and human resources
- Slow recovery from sovereign default and the need for financial restructuring
- Encourages mergers or acquisitions as part of its broader strategy to fuel the economy.



# Prospects in ASEAN

## MYANMAR

- Rich in minerals.
- Economic growth driven by continued strong performance in gas production, trade, agriculture and foreign direct investment.
- Undergoing economic reforms – E.g. a new foreign investment law was passed and is expected to continually help improve the foreign investment environment.
- Shortage of trained lawyers and other professionals.





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# Prospects in ASEAN

## INDONESIA

- Largest economy in South East Asia.
- High domestic consumption and growth in exports of manufactured products and commodities.
- Recently elected new president who aims at anti-corruption and promoting economic growth - encouraging businesses and investors.





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# Prospects in ASEAN

## PHILIPINES

- Rankings in all major economic competitiveness and opening indices have significantly increased – should attract greater foreign investment and gain affordable access to international capital for domestic development projects.
- **Pros:** Low- and medium-end services dominate the economy, benefiting speculative and/or consumption-driven real estate and retail conglomerates.
- **Cons:** Lack of effective land reform and absence of any discernible industrial policy – affect the manufacturing and agricultural sectors.
- In need of:-
  - Effective governance
  - Enhancement of the regulatory capacities and developmental policies of the state





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# JLPW Asean Legal Group

- Why expand abroad in South East Asia?
  - Limited growth prospects in Malaysia
  - ASEAN 2015 and Asean Community
  - Growth prospects in South East Asia
  - FDI from US and Europe
  - FDI from China, Japan and Korea
  - Relevant expertise and past experience with cross border legal work
  - Prior experience of building “greenfield” law firm
  - Trained lawyers with relevant expertise, language and cross cultural abilities





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# JLPW Asean Legal Group

- Countries we operate in through either our own offices or affiliations:
  - Myanmar
  - Indonesia
  - Vietnam
  - Singapore
- Countries under discussion/exploration
  - Mongolia
  - Philippines
  - Bangladesh
  - Sri Lanka



# JLPW Asean Legal Group

- **Malaysian Bar Council Survey for Malaysian Services Development Council**
  - The challenges that your firm has faced in setting up or trying to set up in a foreign jurisdiction.
  - Problems encountered while managing such operations overseas.
  - Interesting / noteworthy observations that are peculiar to a certain jurisdictions that are not experienced generally elsewhere, in terms of business culture, human capital capability and local government support (or lack of it)
  - Assistance obtained from the Malaysian government (ministries / agencies) prior to and during your presence in a foreign jurisdiction
  - Assistance (of fiscal and non-fiscal nature) that the Malaysian government can and should provide to firms seeking to set up in foreign jurisdictions.



# Re-Emerging Trends in Innovative Legal Services

## MULTIDISCIPLINARY PRACTICES

- Began in the 1940s but resisted by Bar associations around the world on issues of conflict of interest
- Momentum picked up in the 1990s when big accounting firms reached their natural growth limits.
  - » Accounting, auditing and tax services could generate only a finite amount of revenue for the accounting firms.
  - » The Big 4's concept was simple: use the extensive list of clients to market non-traditional accounting services such as legal, recruitment, risk management, technology consulting, employment services etc.

# Re-Emerging Trends in Innovative Legal Services

- » Financial Supermarket and One Stop Shop
- » Problem of revenue sharing between lawyers and accountants
- » Conflicts of interest of auditors, Fall of Arthur Andersen, ENRON and Sarbanes Oxley concerns
- Re-emergence in recent years in Europe and now in Malaysia, Singapore and Indonesia
- Multidisciplinary network model was transformed to account for the issues. If the member firms were themselves independent, there was no prohibition on having a multidisciplinary network.



# New Trends in Legal Services



## LAW FIRM IPOs

- Slater & Gordon and the world's first publicly traded law firm in Australia in 2007
- Access to public funds and investment by non-lawyers
- Scrutiny of public investor shareholders and stock exchange regulators
- Insurance claims specialists
- Rapid expansion by M&A
- Recent entry into the UK Legal Services Market



# New Trends in Legal Services

## LAW FIRM IPOs

- Slater & Gordon flags this concern in the “risk factors” section of the prospectus:

*Lawyers have a primary duty to the courts and a secondary duty to their clients. These duties are paramount given the nature of the Company’s business as an Incorporated Legal Practice. There could be circumstances in which the lawyers of Slater & Gordon are required to act in accordance with these duties and contrary to other corporate responsibilities and against the interests of Shareholders or the short-term profitability of the Company.*



# New Trends in Legal Services

## TESCO LAW AND ALTERNATIVE BUSINESS STRUCTURES (ABS)

- UK Legal Services Act 2007 and in operation since 2011
- allows law firms to seek outside investment (or operate under external ownership)
- companies that are not legal firms to offer legal services
- ABSs can be corporate bodies such as bank subsidiaries or insurers and may even be foreign registered.
- ‘Tesco law’ was coined to describe the idea that buying legal services would be as easy as supermarket shopping
- Approved ABS Licences include
  - Co-Operative Group supermarket chain
  - British Telecom for motor claims services
- changes have been introduced to improve competition, flexibility, and choice for consumers



# New Trends in Legal Services

## TESCO LAW AND ALTERNATIVE BUSINESS STRUCTURES

- **Reserved activities and Non-Reserved activities**
- The reserved activities are:
  - advocacy
  - conducting litigation
  - Conveyancing
  - Probate
  - notarial activities
  - the administration of oaths
- Reserved activities can only be carried out by barristers or solicitors, whereas non-reserved activities can be provided by anyone, with or without a law degree
- Expected to shake up legal services market in UK and around the world and inject entrepreneurship and innovation in legal services.

# ADVICE TO YOUNG LAWYERS

## Alternate Routes for Law Graduates

- **TO WORK OUTSIDE JAPAN**

- Sharpening communication skill especially English and other foreign languages.
- Culture Crossers - Able to understand local culture.
- Walk out of comfort zone – mix with local people.
- Cross-cultural understanding as invaluable skills for Japanese business

**\* People who are able to move in and out of different cultures are valuable \***



# ADVICE TO YOUNG LAWYERS

## Alternate Routes for Law Graduates

- **INTERDISCIPLINARY STUDY**

- Enhancing problem-solving skills.
- Value creation.

**\* People who are able to cross, interpret and communicate between different disciplines are invaluable \***

# PROBLEM





# ADVICE TO YOUNG LAWYERS

## Alternate Routes for Law Graduates

- **CONSULTANT**

- Consulting projects, regardless of their nature, always originate from a PROBLEM.
- Identifying, analysing and solving clients' problems.
- Applying knowledge, skills and experience to clients' problems.
- Cross Cultural Consultants - Econo-Legal Consultants?
- Good salaries for First Year Consultants
  - Western Consultancy Firms: JPY 5 to 6 million
  - Japanese Consultancy Firms: JPY 3.5 to 4.5 million
- No need to pass Bar Exam!



# You Should Try.....

- **READING MORE BOOKS**
  - Not only limited to reading law books.
  - Example of good books: stories about companies' failures / success.
- **BE USEFUL**
- **IMPROVING ABILITY IN MASTERING ENGLISH AND OTHER FOREIGN LANGUAGES**
  - Practise more in speaking English.
- **TRAVEL AND CULTURE CROSSING**
  - Travelling, working and living abroad, learning new cultures





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# Q & A

# Discussion



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