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PROFESSIONAL SERVICES SERIES

LEGAL SERVICES

JANUARY 2014

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The Law Society

The Law Society represents more than 159,000 solicitors located in 137 countries around the world. From negotiating with and lobbying the profession's regulators, government and others, to offering training and advice, we're here to help, protect and promote solicitors across England and Wales and beyond.

We campaign in the public interest for reform of the law.

We seek to promote international trade in legal services in order to help the profession to prosper and serve its increasingly globalised client interests more effectively.



The Bar Council represents barristers in England and Wales. It promotes the Bar's high quality specialist advocacy and advisory services, fair access to justice for all, the highest standards of ethics, equality and diversity across the profession and the development of business opportunities at home and abroad. It provides a wide range of other services to its members.

For more information see www.barcouncil.org.uk

The Bar Council is the Approved Regulator of the Bar of England and Wales. It discharges its regulatory functions through the independent Bar Standards Board.

LEGAL SERVICES

JANUARY 2014

The UK is a major global centre for the provision of legal services, accounting for 7% of global law firms' fee revenue. It is also an important centre for legal education and training. This report summarises the important contribution that the legal services sector makes to the UK economy.

SUMMARY

The economic contribution of legal services should be seen in its broadest context of facilitating the administration of justice and the wide range of transactions undertaken on behalf of clients. Legal services have both a multiplying and an enabling effect for business growth and stability. They also offer bespoke expertise to support other sectors of the economy. Measured on standard criteria, legal services make a substantial contribution to the UK economy as indicated by:

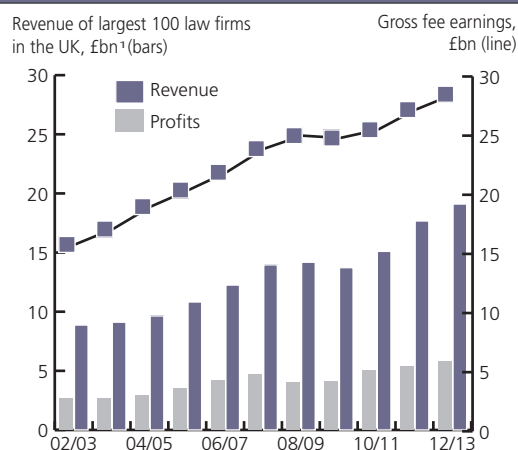
- The £20.4bn contribution to UK gross domestic product in 2012, 1.5% of the total.
- The 316,000 people employed in legal services in 2012 which includes over 130,000 solicitors and 16,000 barristers and advocates. Around two-thirds of these are employed outside London.
- The 9 law firms listed amongst the largest 100 UK graduate recruiters list in 2013. UK law firms' graduate intake totalled over 700 in aggregate, about 5% of the total graduate recruitment in 2013.
- The positive contribution to the UK's balance of payments with a trade surplus of £2,853m in 2012, up nearly three times from a decade earlier. UK law firms play an important role in the global success of British business around the world.

The legal services market in the UK and globally has experienced challenging market conditions since the onset of the economic downturn. The market has however shown some tentative signs of recovery over the past two years. Gross fees generated by law firms in the UK increased by 5% in the financial year 2012/13 to £28.5bn (Chart 1), while fee income of the largest 100 law firms in the UK increased by 8%.

The slow global economic growth is likely to constrain stronger growth during the 2013/14 financial year. International law firms may look to expand overseas in the next few years, particularly into emerging market countries that offer potential for revenue growth. Law firms are likely to continue to maintain tight control over costs.

three of the largest five
'Global 100' law firms
are from the UK

Chart 1
UK legal services fee income



¹ The income of top 100 UK firms primarily originates in London
Source: National Statistics; Legal Business

Table 1
Contribution of legal services to the UK economy

2012		
Regions	Employment	Gross Value Added (£m)
London	103,100	6,020
North West	36,500	1,956
South East	30,200	1,676
Yorkshire and The Humber	25,900	1,248
West Midlands	21,200	1,518
Scotland	20,400	1,525
South West	20,400	1,627
East of England	20,100	2,096
East Midlands	14,100	1,252
North East	9,700	579
Wales	8,900	611
Northern Ireland	5,400	320
Total	315,900	20,429
Cities		
London	103,100	6,020
Manchester	10,200	609
Birmingham	9,100	674
Leeds	9,000	438
Edinburgh	6,400	478
Liverpool	5,800	260
Glasgow	5,200	453

Source: TheCityUK; National Statistics

The UK accounts for around 7% of the global market for legal services. It is the largest market in Europe accounting for around a fifth of European fee income. Over half of the revenue of the largest 100 law firms in the UK is generated by international law firms based in London.

Legal services are a cornerstone of the broader financial and related professional services cluster which makes the UK the leading global financial centre. The leading global position of international law firms based in the UK is underlined by:

- Three of the largest five Global 100 law firms, based on headcount in 2012/13, were from the UK. In terms of gross fee revenue, UK firms held four of the top ten places. Overall, UK firms generated 17% of the Global 100 gross revenue in 2012/13.
- The largest international law firms in London have between 45% and 65% of their lawyers based outside the UK and many other London-based firms have between 10% and 20% of lawyers overseas. Typically US firms, have less than a quarter of lawyers outside the US. There are around 6,000 solicitors from England and Wales located abroad.
- The largest international law firms in the UK are leading advisers in deals taking place in international capital markets, and advise on M&As, project finance, tax and intellectual property around the world.

The UK is very open in allowing virtually unrestricted access for foreign firms. There are over 200 foreign law firms with offices in London and the UK. Around a half of these are from the US, with the remainder mainly from Europe, Australia and Canada.

The strength of London and the UK as an international centre for legal services is reinforced by the expertise of barristers and advocates involved in international practice. Over 1,200 members of the Commercial Bar Association, and many members of other Specialist Bar Associations, practice in the field of international commercial law, with many cases heard in the Commercial Court, the Chancery Division, and the Technology and Construction Court.

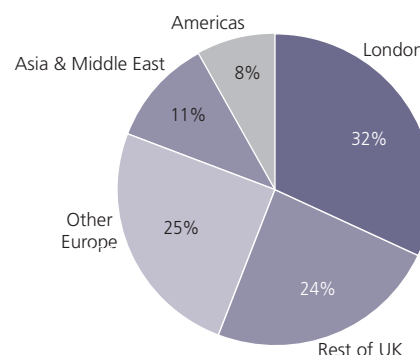
London's reputation as the leading global centre for the provision of international legal services is underlined by the fact that 40% of governing law in all global corporate arbitrations is English Law and that London is viewed as the leading preferred centre of arbitration. The total number of commercial and civil disputes resolved through arbitration, mediation and adjudication in the UK increased by around 3% in 2012 to over 19,000. Around 4,700 of these were international.

LEGAL SERVICES IN THE UK

There are three distinct legal jurisdictions in the UK: England and Wales, Northern Ireland and Scotland. Each has its own legal system, distinct history and origins (see box on Page 4). Legal services make a substantial contribution to the UK economy as indicated by fee revenue generated by

Chart 2
Distribution of lawyers by region

Geographical distribution of lawyers in largest 100 law firms in the UK (% share, 2012/2013)



Source: Legal Business

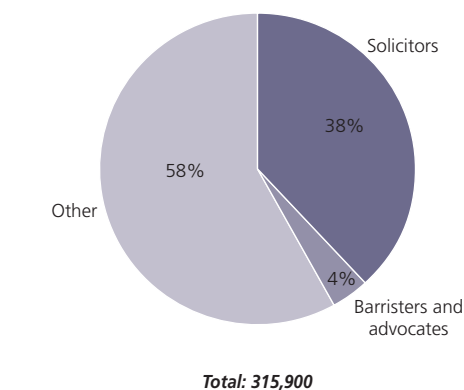
Table 2
Net exports of UK legal services

£m	Exports	Imports	Net Exports
2000	1,520	490	1,030
2001	1,779	380	1,399
2002	2,031	486	1,545
2003	2,030	453	1,577
2004	1,991	416	1,575
2005	2,284	429	1,855
2006	2,702	534	2,168
2007	3,076	533	2,543
2008	3,471	659	2,812
2009	3,590	816	2,774
2010	3,703	777	2,926
2011	4,072	713	3,359
2012	4,014	1,161	2,853

¹ Figures only include COMBAR members sets and not all barristers
Source: National Statistics

Chart 3
Employment in UK legal services

% share, 2012



Source: TheCityUK estimates based on various sources

law firms in the UK, contribution to GDP, employment and exports of legal services.

Fee revenue The legal services market in the UK and globally has experienced challenging market conditions since the onset of the economic downturn. Over the past two years the market has been showing some tentative signs of recovery. Gross fees generated by law firms in the UK increased by 5% in 2012/13 to £28.5bn (Chart 1). Once inflation is taken into account, many law firms have only seen marginal real growth. Fee income of the largest 100 law firms in the UK increased by 8% during the year. Over a half of the revenue of the largest 100 law firms in the UK is generated by international law firms based in London which account for nearly a third of the geographical distribution of UK law firms' lawyers (Chart 2).

Revenue per lawyer amongst the largest 100 firms in the UK was down by 2% during 2012/13 to £312,000, while profits per lawyer also fell by 2% to £95,000. Law firms are continuing to maintain tight control over costs by measures such as reducing the number of employees, freezing salaries, moving lawyers between practice areas, tightening management controls and moving parts of support functions in IT and accounting to more cost effective locations including regional centres such as Glasgow and Belfast.

Practice areas of finance and property have been amongst those most affected by the economic downturn. Consolidation in the investment banking industry and a fall in investment banking fee revenue resulted in less advisory business for law firms. Practice areas which performed better in recent years have included insolvency/bankruptcy and restructuring. The largest firms have also supplemented some of the loss in revenue with growth in litigation and arbitration business.

Output The output of UK legal services in terms of the value added to the economy more than doubled in the decade up to 2012 to £20.4bn or 1.5% of total GDP (Table 1). This includes legal representation of one party's interests against another party in civil and criminal cases, whether or not it occurs in the courts. It also includes advice and representation in a range of areas from corporate transactions of various sorts to labour law, patents and copyright as well as activities of arbitrators, notaries and bailiffs. The main exclusions on the ONS definition are the activities of the law courts, and lawyers employed by non-legal firms whose activity would be credited to the sector of their employer.

Employment In order to estimate the number of people employed by law firms in the UK, it is useful to categorise employment into: law firms and independent practitioners; barristers and advocates; and solicitors in non-private practice. Taken together, available figures indicate a total of around 316,000 people employed in 2012 (Tables 1 and 3, Chart 3). Around two-thirds of these are employed outside London. Solicitors account for some 40% of the total with barristers and advocates representing 4%. Activities of patent and copyright agents and other legal activities account for the remainder.

Solicitors in private practice include those employed by law firms and independent practitioners. The number of solicitors in private practice in

Underpinning growth and stability of UK legal services internationally

Following the publication of the *Plan for Growth: Promoting the UK's Legal Services Sector* in mid 2011, the Government has worked closely with the Law Society of England and Wales, the Bar Council of England and Wales and TheCityUK to promote the UK's legal services offer abroad. The renewed action plan launched in March 2013, focusing on the whole of the UK legal offering is called *UK Legal Services on the International Stage: Underpinning Growth and Stability*, and is seeking to build on the previous document, to promote further the use of UK legal services more widely on the international stage. This also involves working with the Law Society of Scotland, the Faculty of Advocates, the Scottish Arbitration Centre, the Law Society of Northern Ireland and the Bar Council of Northern Ireland.

The joint efforts so far have culminated in a variety of activities, showcasing the strengths of the UK's legal services in Russia, Brazil, India, Singapore, China, South Korea and Turkey. In addition, the Unlocking Disputes campaign in 2012 focussed on promoting London's role as a global centre of dispute resolution expertise in jurisdictions ranging from Brazil to Vietnam (see pages 11 and 12 for more details on the UK's dispute resolution services).

Table 3
Category of employment

Practising certificate holders in England and Wales

	Total Private practice	Total non-private practice	Total
1990	46,652	8,082	54,734
2000	66,445	16,324	82,769
2001	68,466	18,137	86,603
2003	72,545	20,207	92,752
2005	78,092	22,846	100,938
2007	82,557	25,850	108,407
2009	85,128	30,347	115,475
2011	87,973	33,960	121,933
2012	87,768	33,960	121,728
2013	86,840	33,960	120,800

Practising certificate holders in Scotland

2013 ¹	7,479	3,460	10,939
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¹ 31 October 2013

Sources: Law Society, *Annual Statistical Review, 2014 edition* (pre-publication figures released to TheCityUK);
The Law Society of Scotland

316,000
employed in
UK legal services

the UK has increased by over a half over the past decade:

- The number of fee earners in private practice in law firms in England and Wales totals over 130,000, of which nearly 87,000 were solicitors (Table 3). This does not include lawyers employed in the UK by these firms who are principally trained in the law of another jurisdiction, principally US lawyers.
- Law firms in Scotland and Northern Ireland employ around 11,000 and 2,000 solicitors respectively.
- Over 200 foreign law firms, including over 100 US firms, maintain a presence in London, though the size of their presence varies from being 'full service' in a few firms to a 'nameplate' for a larger number.

Solicitors working abroad There are around 6,000 solicitors on the Roll in England and Wales who are working abroad, a number which has increased steadily during the past decade (Table 7).

Traineeships and graduate intake According to the Times annual rankings of 100 largest graduate employers in the UK, law firms' graduate intake totalled over 700 in aggregate, about 5% of the total graduate recruitment in 2013. There were 9 law firms listed amongst the largest 100 UK graduate recruiters list in 2013.

Solicitors in non-private practice represent another major source of employment and total over 30,000. The majority of these work in commerce/industry, local government and the Crown Prosecution Service. Over the past decade, the proportion of practising certificate holders employed outside private practice in England and Wales has increased from 18% to 28%.

Barristers and advocates The number of barristers in independent practice in England and Wales totals around 12,600, a figure which has increased by a half during the past decade. In Scotland there are 460 advocates, and in Northern Ireland 600 barristers.

Number of firms Nearly 29,400 firms made up the legal services market in England & Wales in 2010. This consisted of around 13,000 solicitors firms, nearly 9,800 barristers' entities and 6,600 other legal services providers. The vast majority of solicitors firms were relatively small with 86% of all firms registered in England and Wales having four or fewer partners. The number of law firms in Scotland totals around 1,300.

The Legal Services Act 2007 enabled new forms of legal practice to develop, both legal disciplinary practices or LDPs (firms involving different kinds of lawyers, and up to 25% non-lawyers, but only providing legal services) and alternative business structures (ABS), which will allow external ownership of legal businesses and multidisciplinary practices.

The Law Society was designated as a Licensing Body under the Legal Services Act 2007 in December 2011 and started accepting ABS applications from January 2012. The Solicitors Regulation Authority, an independent regulatory body of the Law Society, authorises ABS applications. The Council for Licensed Conveyancers is also a licensing

Structure of the legal profession in the UK

The legal systems in England and Wales, Scotland and Northern Ireland each have separate laws, judiciaries and legal professions. There are differences between Scots law, English law and Northern Irish law in areas such as property law, criminal law, trusts law, inheritance law, evidence law and family law while there are greater similarities in areas such as commercial law, consumer rights, contract law, taxation, employment law and health and safety regulations. Scots law offers the advantages of a common law system which also has affinities with the civilian systems of Continental Europe.

There are also differences in the terminology used between the jurisdictions. For example, in Scotland there are no Magistrates' Courts or Crown Court but there are Sheriff Courts and the Court of Session. The Procurator Fiscal Service provides the independent public prosecution service for Scotland like the Crown Prosecution Service in England and Wales and the Public Prosecution Service in Northern Ireland.

The legal profession in the UK is distinctive from many other countries in being divided into two branches, solicitors and barristers (advocates in Scotland). The judiciary is drawn from both branches of the profession. Solicitors provide the great bulk of 'first line' legal advice, undertaking detailed advisory work on behalf of their clients. Their services include representation and appearing in court for UK and overseas clients. While solicitors serving the local community, solving the legal problems of the public are often in a general practice, solicitors serving business customers tend to be specialists in a particular area of law.

Barristers and advocates provide specialist legal advice and represent their clients in courts and tribunals. Often solicitors or other professional clients will refer work to a barrister or advocate, but with some exceptions, it is also possible for a member of the public to go directly to a barrister for advice or representation.

The Legal Services Board is a organisation, created by the Legal Services Act 2007. The Board came into being on 1 January 2009 and became fully operational on 1 January 2010. Its overriding mandate is to ensure that regulation in the legal services sector is carried out in the public interest; and that the interests of consumers are placed at the heart of the system. The Board itself is responsible for overseeing legal regulators in England and Wales. It is independent of Government and of the legal profession. It oversees ten separate bodies, the Approved Regulators. The Board also oversees the new organisation established to handle consumer complaints about lawyers, the Office for Legal Complaints. Different regulatory arrangements apply in Scotland and Northern Ireland.

authority. It is likely that legal services providers will diversify from being solely law firms to supplying a broader range of services. A survey conducted by Deloitte and Winmark in 2012, indicated that 46% of respondents stated that they were likely to use the ABS regime in the coming years. Other surveys in recent years shown a wide range of possible rates of take up of ABS, ranging from 4% to 56%.

According to findings of the joint Ministry of Justice, Law Society, Legal Services Board survey of 2007 solicitors firms published in July 2012, 6% of firms in the survey indicated that they intended to seek external investment following the introduction of ABS. Around 1.5% had undertaken related actions. Medium sized firms were most likely to seek investment. Personal injury firms were most likely to intend to seek investment, with firms specialising in immigration also more likely to do so than others.

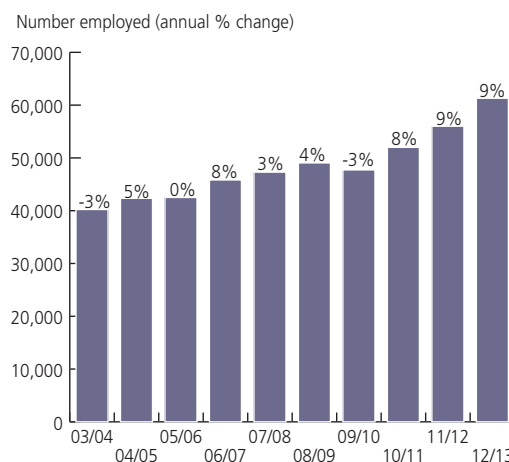
In Scotland the Legal Service (Scotland) Act 2010 also allows new business models to emerge, although these must be owned 51% by solicitors and/or members of other regulated professions (not just legal professions, and as determined by government).

Exports of legal services Legal services are one of the UK's finest and most effective exports. They provide vital support to UK and multinational firms across all sectors with their services being particularly critical when developing a presence in new international markets and structuring multi jurisdiction projects.

Legal services exports are generated from a number of sources: law firms, including those originating in the UK and those firms with an office in the UK; barristers and advocates providing services to foreign clients, legal services provided by lawyers employed by other organisations, which are not themselves, legal entities. Exports generated from providing legal services for overseas clients should be offset against any imports of legal services (mainly related to billings of UK businesses from law firms based overseas).

- Based on a survey of law firms in the UK, exports were estimated at £3,901m in 2012, slightly up on the previous year.
- Exports generated by barristers totalled £90m in 2012. More than 1,100 barristers undertake international work generating exports.
- Exports generated from lawyers in other organisations totalled around £23m in 2012, of which a large proportion was due to activities of patenting agents. The other half is largely attributable to internal billings related to legal services provided by companies to their overseas subsidiaries.

Taking account of imports (mainly related to billings of UK businesses from law firms based overseas) of £1,161m, net exports of UK legal services stood at £2,853m in 2012 (Table 2).

Chart 4*Largest 100 law firms in the UK total headcount*

Source: Legal Business; TheCityUK estimates

Table 4*Largest law firms in the UK by revenue*

2012/13	Revenue £m	% change revenue	Total equity partners
1. DLA Piper	1,540	10	462
2. Clifford Chance	1,271	-2	411
3. Freshfields Bruckhaus Deringer	1,221	7	392
4. Linklaters	1,195	-1	414
5. Allen & Overy	1,189	1	443
6. Hogan Lovells	1,030	-1	513
7. Norton Rose Fulbright	845	3	697
8. Dentons	830	n/a	499
9. Herbert Smith Freehills	796	n/a	316
10. CMS	682	-1	526
11. Squire Sanders	488	6	131
12. Slaughter and May	376	0	113
13. Eversheds	323	3	133
14. Clyde & Co	309	17	145
15. Ashurst	250	0	155
16. Pinsent Masons	249	n/a	150
17. Simmons & Simmons	233	-1	126
18. Bird & Bird	228	6	101
19. Berwin Leighton Paisner	200	-5	102
20. Taylor Wessing	188	7	187
21. Irwin Mitchell	188	9	67
22. DWF	185	n/a	48
23. DAC Beachcroft	167	15	113
24. SJ Berwin	141	2	85
25. Addleshaw Goddard	121	-2	103

Source: Legal Business

Table 5*Firms with the largest UK business by turnover*

	Turnover UK business only (£m) 2012/13	% change
Linklaters	514	0
Freshfields Bruckhaus Deringer	464	8
Allen & Overy	452	1
Clifford Chance	443	0
Slaughter and May	431	0
Eversheds	331	0
Herbert Smith Freehills	310	-2
DLA Piper	283	0
Pinsent Masons	271	37
Hogan Lovells	254	-6

Source: Legal Business

INTERNATIONAL LEGAL SERVICES IN LONDON

London's reputation as the leading global centre for the provision of international legal services is underlined by the fact that 40% of governing law in all global corporate arbitrations is English Law and that London is viewed as the leading preferred centre of arbitration. Large international law firms remain at the core of London's broad reputation as a leading centre for international legal services.

On average, for the largest global firms in London by headcount, London fee income was up by 5% to £94.9m in 2012/13. The bulk of business is undertaken on behalf of major international companies, UK and foreign, although public sector organisations and high net worth private clients are also significant users of legal services.

International law firms in London Firms are identified as international if more than a third of their lawyers are working outside their home country. Some firms however may have few lawyers abroad but are very global in their work. International law firms in London feature prominently in rankings of largest global firms (Table 9). The largest UK firms typically have between 45%-65% of lawyers outside the UK. US firms are more oriented towards their domestic market, and mostly have less than a quarter of lawyers outside the US. Part of the reason for UK law firms international expansion is that UK firms have chosen to expand overseas, unlike US firms which have a far larger domestic market.

International law firms in London have become leading advisers in deals taking place in international capital markets. They offer a substantial range of services including advising on M&A, project finance, tax and intellectual property around the world. Other smaller firms offer expertise in certain services such as for example in shipping or international insurance, being world leaders in their own niche practice.

Foreign law firms in London Overall, the UK is very open in allowing virtually unrestricted access for foreign law firms. There are over 200 foreign law firms in the UK many of which have developed capability in both English law and other forms of law. They can be divided into full service firms, specialist or niche firms and those firms that service clients looking to invest in the UK and continental Europe. Many of these firms derive a large proportion of their overall turnover from business conducted in London (Table 6).

The Establishment of Lawyers Directive (1998) requires EU lawyers practising in the UK to register with an appropriate professional body such as the Law Society or Bar Council and to comply with its regulations. EU lawyers may qualify as UK solicitors or barristers by having their qualifications recognised after three years of practice in the UK.

The headcount of the largest 50 foreign law firms in London increased to 4,382 in 2012/13. This was up from 4,271 in the previous year (Chart 5), slightly below the high in 2008/9. Fifteen firms have seen headcount rise by more than 10% during the year with the total number of partners reaching an all time high of 1,325.

US law firms There are more than 100 US law firms with offices in London.

**more than
200 foreign
law firms**
have offices in the UK

Chart 5

Largest 50 overseas London firms total headcount



Table 6

Non-UK law firms largest offices in London

2012/13, £m	London fee-earners	of which English qualified	other qualified
Baker & McKenzie	397	381	16
Reed Smith	315	315	0
White & Case	304	220	84
Mayer Brown	279	272	7
Latham & Watkins	241	148	93
Jones Day	166	165	1
Weil, Gotshal & Manges	142	118	24
Shearman & Sterling	140	117	23
Dechert	131	103	28
Kirkland & Ellis	127	105	22
K&L Gates	125	121	4
Skadden, Arps, Slate, Meagher & Flom	124	90	34
Clerk Gottlieb Steen & Hamilton	108	90	18
Sidley Austin	108	93	15
Debevoise & Plimpton	92	65	27

Source: Legal Business

Table 7

Distribution of solicitors overseas

Number of solicitors from England and Wales based overseas by country, 2010		
	Number of solicitors	% share
Hong Kong	883	15
United Arab Emirates	767	13
Singapore	524	9
Channel Islands	406	7
US	404	7
France	298	5
Germany	261	4
Australia	225	4
Switzerland	206	3
Japan	186	3
Other	1,830	31
Total	5,990	100

Source: The Law Society

These account for a significant proportion of London business. This is partly due to the higher fees that they charge for their services. Three-quarters of around 3,000 lawyers employed by these firms were from the UK. Many US firms in London have developed almost full-service English law capability. Some have done this through mergers with UK firms. The most sought after practice areas for recruitment for US firms in London are international arbitration and litigation, finance, M&As, financial restructuring and insolvency. The percentage of US firms reporting that they have a full service London office has been between 40% and 50% in recent years.

Law firms from other countries Other foreign firms in London typically tend to provide services to London-based international corporations and financial institutions undertaking business in the country from which they originate. European firms have a significant presence in London. This includes firms from France, Germany, Italy, Spain, the Netherlands, Scandinavia, Switzerland, Portugal and Russia. Australia is well represented in London by its three largest firms which concentrate on providing expertise to deals involving Australian law, usually cross-border M&As, securities, banking and tax transactions between Australia and Europe. The majority of work of Canadian firms in London is in relation to inward investment into Canada, mainly in energy. A number of offshore law firms also have offices in London.

Largest UK law firms outside London

Firms are identified as national if they have no more than 45% of their lawyers located in one region of their home country. If they have over 45% of lawyers in one region, they are regional firms. Some national law firms, that have a broad spread of offices in the UK, have built up a capability to compete with international London-based law firms. One-time regional or national firms such as Eversheds have developed London practices. A number of other national firms have opened London offices while others have merged with London based law firms. Some national law firms have chosen to stay out of London and concentrate on regional business.

According to Legal Business, the largest UK firms in 2012/13 by turnover outside London include:

- *Major UK:* Eversheds (national), Pinsent Masons (national), Irwin Mitchell (national), Addleshaw Goddard (national), Wragge & Co (Birmingham), Hill Dickinson (Liverpool).
- *South:* Bond Pearce (Bristol), Blake Lapthorn (Portsmouth), TLT (Bristol), Thomas Eggar (South-East), Bevan Brittan (Bristol), Clarke Willmott (Bristol), Ashfords (Exeter).
- *Central:* Browne Jacobson (Nottingham), Freeth Cartwright (Midlands), Morgan Cole (National), SGH Martineau (Birmingham), Shakespeares (Birmingham), Hugh James (Cardiff), Birketts (Ipswich), Geldards (Cardiff).
- *North:* Keoghs (Bolton), Dickinson Dees (Newcastle), Pannone (Manchester), Cobbetts (Manchester), Walker Morris (Leeds), Brabners Chaffe Street (Liverpool), Ward Hadaway (Newcastle), Gordons (Leeds).
- *Scotland:* Maclay Murray & Spens (Scotland), Brodies (Scotland), Shepherd and Wedderburn (Scotland) Dickson Minto (Scotland), Burness (Scotland), Turcan Connell (Scotland).

Range of international legal services

The biggest areas of practice of law firms in the UK include corporate work, banking and capital markets. Property and dispute resolution have gained in importance in recent years, although the extent of each law firm's involvement in the various areas of practice will vary. The main areas of international work undertaken by law firms in the UK include:

- *Corporate finance* Joint ventures, M&As, equity issues, corporate reorganisations, management buyouts, company law;
- *Other corporate and commercial law* Aviation, shipping, commodities, competition, IT and digital media, telecoms, media and entertainment;
- *Banking/project finance* Bank lending, debt rescheduling, project finance, public private partnerships, securitisation, aircraft and ship finance;
- *International capital markets* Equity issues, money raising, asset securitisation, privatisation, derivative products, eurobonds;
- *Tax* Corporate tax (and personal tax planning where there is no private client department), stamp duty, VAT;
- *Dispute resolution* Arbitration, alternative dispute resolution, and litigation;
- *Insurance and reinsurance* Involves advising on claims under insurance and reinsurance policies and conduction related litigation and arbitration.
- *Property sales and leasing* of commercial property, property finance, property development, environmental law, town and country planning;
- *Intellectual property* Patents, copyrights, confidentiality;
- *Employment/pensions* Implications of mergers and acquisitions, establishment and maintenance of pension schemes, contracts of employment, immigration advice;
- *Public international law* relates to the handling of legal issues affected by international jurisdiction such as the International Court of Justice.
- *Private clients* Family law, probate, tax planning, trusts;
- *World Bank / EBRD projects work* A niche market for UK firms has developed in recent years in relation to World Bank and EBRD projects work.

INTERNATIONAL COMPARISONS

The UK market accounts for around 7% of the global market for legal services in terms of fee revenue. The UK is by far the largest market in Europe for legal services accounting for over a fifth of the total European market. While London remains the headquarters of many international law firms and the principal hub for their commercial and financial services, most larger firms have developed a global network.

Fee income of the largest 100 global law firms increased by 4% in 2012/13 to a record \$84.9bn (Chart 6). This was the third successive year of growth and follows two years of declining income as demand for legal services fell at the outset of the economic downturn. Figures showing growth in the past three years have however been inflated as some of the increase in fee revenue was driven by merger activity, leading to increased concentration of service providers amongst the largest 100 firms (Chart 7). Despite the positive performance in recent years, the legal services market remains subdued.

Profits increased by 4% in 2012/13 to a new high of \$32.4bn as law firms continued to focus on cutting costs. The headcount of the largest 100 law firms increased for the second year running by 3% in 2012/13 to a record 113,000 (Chart 8). According to Legal Business magazine, the largest 100 law firms in the world opened 72 new offices in 2012/13, mainly in emerging market countries. This was up on 69 launches in the previous year. Over half of the 41 Global 100 firms that opened new offices during the year, chose Asia as a location, adding 28 new offices in the region. Seoul and Singapore were by far the most popular destinations. The geographical distribution of Global 100 firms by region shows that nearly a half were located in the US, followed by Europe (excluding UK) 21%, UK 15%, Asia 12%, Latin America and Canada 2%, and Middle East 1%.

The largest 15 global firms accounted for a half of the number of fee earners of the largest 100 firms, up 2% on their share four years earlier and 7% on their share a decade earlier (Chart 7). Although caution remains on the business outlook, firms have increased hiring of new staff since 2010 and trainee intakes are approaching pre-crisis levels.

Law firms' mergers and acquisitions during 2012/13 included the tie-up between King & Wood and Mallesons Stephen Jaques to create King & Wood Mallesons. This was the first firm to combine a leading China law firm with a western counterpart. Other M&A activity included: the merger between SNR Denton, Salans and Fraser Milner Casgrain to form Dentons; Norton Rose and Houston's Fulbright & Jaworski to form Norton Rose Fulbright; and the merger between Herbert Smith and Australia's Freehills.

UK firms featured prominently in the rankings of largest global law firms in 2012/13. They held four of the top ten places based on revenue. Clifford Chance was the largest law UK firm in the rankings, followed by Freshfields Bruckhaus Deringer, Linklaters and Allen & Overy (Table 9). In terms of the number of lawyers, UK firms held three of the top five places (Table 8). Overall, UK firms contributed 17% of the largest 100 global firms' revenue. A new entry to the Global 100 this year is national UK firm Pinsent Masons, which saw its revenues swell by 40% to \$490m following the addition of \$100m in revenues from Scottish firm McGrigors.

Chart 6
Global legal services fee revenue and profit

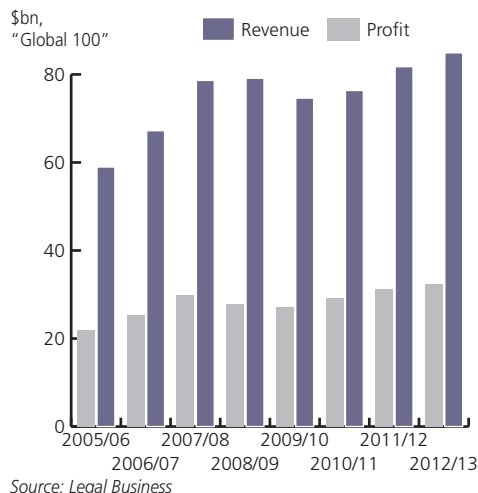


Chart 7
Concentration of legal services

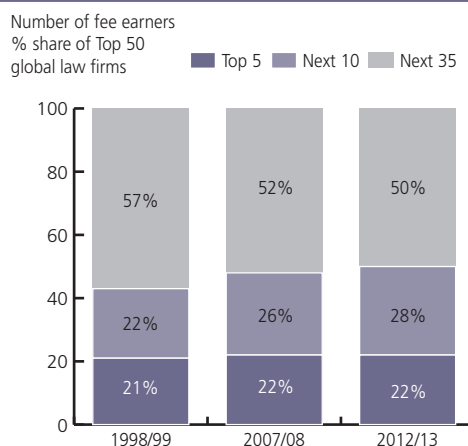


Chart 8
Global 100 law firms headcount



The majority of other firms amongst the largest 100 global law firms are from the US. Collectively US firms accounted for more than a half of the Global 100 fee revenue. US law firms on the whole have not used their large domestic market as a basis for international expansion in the same way as the US investment banks. The prevalence of US firms in the rankings is mostly a reflection of the size of its economy, added to the fact that it is the most litigious country in the world.

DLA Piper has the most lawyers worldwide, 4,036 in 2012/13, followed by Baker & McKenzie and Clifford Chance (Table 8). DLA Piper which posted 9% turnover growth also held the top spot in terms of gross revenue with over \$2.4bn in 2012/13, ahead of Baker & McKenzie \$2.3bn and Latham & Watkins \$2.2bn (Table 9).

The global expansion of legal services has been a reflection of law firms' need to support the increasingly international activities of their clients and also to capitalise on the expanding international marketplace for their services. A major trend over the past three years has been the expansion of international law firms into China and India. This has been prompted by the internationalisation of a growing number of companies from these countries which is generating M&A, private equity and capital-raising business for law firms.

International networks of law firms The strategy of establishing a substantial international network of offices, adopted by many of the larger international law firms in the UK, means that they tend to have a much higher percentage of lawyers outside their home jurisdiction than US law firms. Most US law firms amongst the top 100 have less than a quarter of their lawyers outside their jurisdiction although this proportion has increased in recent years. Cities where international law firms are most likely to establish an office include London, New York, Brussels, Tokyo, Hong Kong, Singapore and Paris.

A number of general observations can be made:

- The competition for business in international financial markets is largely the preserve of law firms from the US and the UK, although firms elsewhere in Europe are becoming more active;
- The presence of US law firms is typically more fragmented than of international law firms based in London, as they do not cover as broad a spread of banking and capital market activities;
- Although the number of deals won by US law firms is often fewer than London firms, those they are involved in are frequently larger, aided by their close historic links with US investment banks. The wider international coverage of London firms has enabled them to build relationships with these banks as their share of the European and Asian markets has grown.

Table 8
Largest law firms by number of lawyers

2012/13	Location	Number of lawyers
DLA Piper	International	4,036
Baker & McKenzie	International	4,004
Clifford Chance	International (UK)	3,017
Allen & Overy	International (UK)	2,700
Norton Rose Fulbright	International (UK)	2,660
CMS	International	2,540
Hogan Lovells	International	2,527
Linklaters	International (UK)	2,509
Jones Day	National (US)	2,357
Freshfields Bruckhaus Deringer	International (UK)	2,332
Herbert Smith Freehills	International (UK)	2,323
King & Wood Mallesons	Hong Kong	2,104
Latham & Watkins	National (US)	2,033
White & Case	International	1,947
Garrigues	National (Spain)	1,945

Source: *Legal Business*

Table 9
Largest law firms by gross fees

2012/13	Headquarters	Gross revenue \$m	% change from 2011/12
DLA Piper	International	2,440	9
Baker & McKenzie	International	2,313	2
Latham & Watkins	National (US)	2,226	3
Skadden, Arps, Slate, Meagher & Flom	New York	2,210	2
Clifford Chance	London	2,066	1
Kirkland & Ellis	Chicago	1,938	11
Freshfields Bruckhaus Deringer	London	1,937	6
Linklaters	London	1,895	-2
Allen & Overy	London	1,887	0
Jones Day	National (US)	1,716	4
Hogan Lovells	International	1,633	-2
Sidley Austin	Chicago	1,490	5
White & Case	International	1,384	4
Norton Rose Fulbright	London	1,334	1
Herbert Smith Freehills	London	1,312	n/a
Gibson, Dunn & Crutcher	Los Angeles	1,291	11
Greenberg Traurig	National (US)	1,239	0
Morgan, Lewis & Bockius	National (US)	1,230	6
Weil, Gotshal & Manges	New York	1,228	0
Sullivan & Cromwell	New York	1,184	6
Cleary Gottlieb Steen & Hamilton	New York	1,131	27
Mayer Brown	International	1,092	-8
CMS	International	1,077	n/a
Wilmer Cutler Pickering Hale and Dorr	National (US)	1,076	14
K&L Gates	National (US)	1,060	40
Reed Smith	National (US)	1,013	15
Morrison & Foerster	San Francisco	1,000	12
Simpson Thacher & Bartlett	New York	983	2
Davis Polk & Wardwell	New York	950	17
Ropes & Gray	Boston	945	29
Paul Hastings	National (US)	908	-7
Paul, Weiss, Rifkind, Wharton & Garrison	New York	877	35
Bingham McCutchen	National (US)	872	17
Orrick, Herrington & Sutcliffe	San Francisco	866	12
Quinn Emanuel Urquhart & Sullivan	Los Angeles	853	122
McDermott Will & Emery	Chicago	851	-13
King & Spalding	Atlanta	828	35
O'Melveny & Myers	Los Angeles	818	-12
Akin Gump Strauss Hauer & Feld	National (US)	775	3
Squire Sanders	National (US)	774	46
Winston & Strawn	Chicago	755	8
Shearman & Sterling	New York	752	-18
Proskauer Rose	New York	736	17
Arnold & Porter	Washington DC	731	43
Dechert	National (US)	729	-13
Goodwin Procter	Boston	716	17
King & Wood Mallesons	Hong Kong	713	n/a
Slaughter and May	London	712	-16
Dentons	International	711	n/a
Alston & Bird	Atlanta	686	33

Source: *Legal Business*

INTERNATIONAL PRACTICE OF BARRISTERS AND ADVOCATES

The importance of the UK as a financial centre has created an enormous demand for specialist legal advice in a wide range of areas. The Commercial Bar Association (COMBAR) was formed in 1989 to bring together barristers who practice in the field of international and commercial law. The principal fields of practice for over 1,200 members of COMBAR cover international trade, shipping and aviation, banking and financial services, insurance, commodity transactions, international arbitration, insolvency, oil and gas/energy law and European Union law.

In addition to COMBAR, there are other Specialist Bar Associations, many of whose members include barristers practising in aspects of international and commercial law. The Chancery Bar Association encompasses practitioners with a specialised knowledge of international trusts, taxation, pensions, financial services, insolvency, patents and corporate law. TECBAR is the organisation for barristers specialising in disputes arising out of technology and construction. The Criminal Bar Association is the focal point of contact for those concerned in commercial and business fraud. The Intellectual Property Bar Association is the specialist bar association for barristers practising in all areas of intellectual property law.

The concentration on court work has enabled barristers to develop specialist expertise particularly as representatives in courts where common law is practised. Barristers provide advice and opinions on points of law, and act as arbitrators in the UK and other major world centres. The main services offered by commercial barristers include:

Advocacy and litigation Barristers can receive instructions to appear in a wide range of courts in the UK and overseas.

Legal advice and expert evidence Barristers may be instructed to give advice, orally or in writing, on any matter of the laws of the UK, as well as European or international law arising anywhere in the world. Those specialising in criminal work are also increasingly involved internationally e.g. in business crime cases in the Caribbean and other regions.

Arbitration London is a major centre for international and commercial arbitrations. Many Queen's Counsel and other barristers as well as some law firms in the UK have specialist experience of conducting arbitration or acting as arbitration advocates. Many barristers also have direct experience in international arbitration under the rules of the International Chamber of Commerce, the London Court of International Arbitration and other international arbitration centres. Barristers can also be appointed to sit as international arbitrators by overseas lawyers or overseas lay clients.

Advocates in Scotland Advocates are available to be instructed in a wide range of courts and tribunals in Scotland and elsewhere, including the UK Supreme Court, the European Court of Justice and the European Court of Human Rights. They may also be instructed in arbitrations and other forms of alternative dispute resolution. Advocates may be instructed to give advice, orally or in writing, on any matter of Scots or European law.

Table 10

Leading sets of barristers chambers

by number of practice area rankings

Blackstone Chambers	3 Verulam Buildings
Thirty Nine Essex Street	Doughty Street Chambers
Brick Court Chambers	Fountain Court Chambers
Matrix Chambers	Crown Office Chambers
Kings Chambers	Essex Court Chambers
Maitland Chambers	Guildhall Chambers
No5 Chambers (Birmingham)	Wilberforce Chambers
Serle Court	

Source: Chambers & Partners UK Guide

Barristers and advocates

Barristers (advocates in Scotland) form a group of specialist consultants with particular expertise in advisory, drafting and advocacy work. They include individuals with expertise in all areas of the law. Many also have knowledge of other systems of law and are able to advise on complex international questions. The regulatory differences between solicitors and barristers / advocates have been eroding but the main distinction remains that solicitors provide a continuous service to clients, whilst barristers / advocates act as a source of specialist legal advice on particular points of law.

In England and Wales barristers, who are independent sole practitioners, are typically organised in groupings known as Chambers, which typically specialise in one or more legal fields. There are approximately 1,400 senior barristers known as 'Queen's Counsel' or 'QCs', which is a world-wide recognised kite mark for excellence in advocacy. Many barristers are members of specialist bar associations, which provide further education for their members and represent their interests. The Bar Council is the professional association and approved regulator for all barristers in England and Wales.

In Scotland an advocate is, in all respects except name, a barrister, with some differences in professional practice. For administration purposes, advocates are organised into groups known as stables. All advocates are members of the Faculty of Advocates based in Parliament House in Edinburgh, where the supreme courts are located. The Faculty is responsible for the admission of advocates and their professional conduct. It also provides library facilities, including the renowned Advocates' Library.

In Northern Ireland, some 600 barristers and a further 60 'QCs' operate as an independent referral bar from an iconic modern building - The Bar Library, in central Belfast. It is also the home of the Inn of Court of Northern Ireland. The governing body of the profession is the General Council of the Bar of Northern Ireland - the Bar Council. Barristers in this jurisdiction provide a comprehensive range of advanced legal services in advocacy and representation both at home and abroad. Specialisations offered from the members of the Bar Library include advanced advocacy, arbitration and mediation. The proximity of the Bar Library, Belfast to other European jurisdictions such as Dublin and the very close ties with the US makes legal representation from the Bar Library an attractive option for the many foreign entities and corporations who avail of both referral and also Direct Professional Access.

DISPUTE RESOLUTION

English law is the most commonly used rule of law in international business and international dispute resolution. London has long been recognised as a primary centre for international and commercial litigation and arbitration. Dispute resolution services in the UK continue to be provided across a range of activities and sectors at a domestic and international level:

- The total number of commercial and civil disputes resolved through arbitration, mediation and adjudication has abated following the surge in the immediate wake of the recession. Total disputes have therefore fallen from around 22,500 in 2009 to 19,300 in 2012 (Table 11). International disputes are down from 5,300 to 4,700 over this period while domestic disputes have fallen from over 17,000 to 14,600, mainly due to a decline in appointment of dispute resolvers at RICS.
- CEDR's two yearly survey showed an increase from 6,500 to 8,000 in disputes resolved through mediation.
- Since the advent of The Housing Grants, Construction and Regeneration Act 1996, adjudication has established itself as a method for resolving construction and engineering disputes in the domestic market.

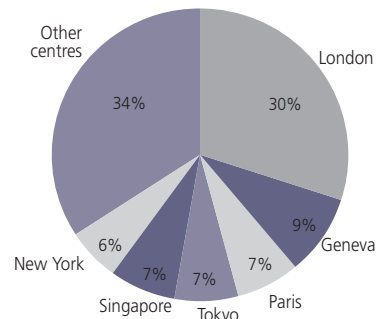
London and the UK are well positioned internationally in the conduct of commercial arbitration and alternative dispute resolution:

- London is the preferred seat of arbitration, favoured by 30% of respondents in the 2010 International Arbitration Survey undertaken by Queen Mary University of London. It compares with 9% favouring Geneva the next most popular seat (Chart 9).
- Companies are also twice as likely to choose English law over other governing laws for arbitrations. English law was chosen by 40% of companies and New York state law by 17% (Chart 10).
- The common costs of arbitrations in the rest of Europe are 18% higher than in the UK according to a 2011 survey of 20 arbitral organisations by the Chartered Institute of Arbitrators.
- Average length of construction disputes in the UK, at 8.7 months in 2011, was less than anywhere else.
- The Rolls Building in London, opened in 2011, is helping to sustain the UK's reputation as the first choice for business law. Since 2008 the number of claims issued by the Commercial Court has exceeded 1,000 each year, of which up to 8% come to trial.
- In Scotland, the Arbitration (Scotland) Act 2010 has reformed and modernised the law of arbitration. Although modelled on the Arbitration Act 1996, which applies to the rest of the UK, it includes some unique provisions, including groundbreaking confidentiality rules and the assurance of anonymity for parties on appeal.

Chart 9

Preferred seat of arbitration

Seat of arbitration preferred by arbitrators, % share of survey respondents, 2010

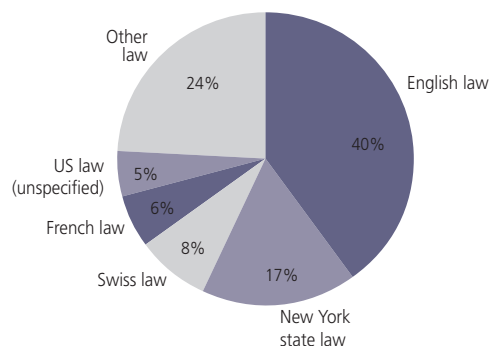


Source: Queen Mary University of London International Arbitration Survey

Chart 10

Governing law in arbitrations used by corporations

Governing law in arbitrations most frequently used by corporations % share of arbitrators surveyed, 2010



Source: 2010 International Arbitration Survey

Rolls Building, Royal Court of Justice

The biggest dedicated business, property and commercial court in the world was opened in London in 2011. The building, called the Rolls Building, is helping to maintain the UK's reputation as the leading choice for business law.

The specialist jurisdictions of the High Court dealing with business, property and commercial disputes are now in a single building, replacing the previous facilities used by the Admiralty and Commercial Courts, as well as the Chancery Division and the Technology and Construction Court. The number of claims and trials and these courts is shown in Table 12.

The facility is believed to be around four times bigger than its nearest competitor. It provides 31 court rooms, 11 hearing rooms (for related work such as bankruptcy hearings), 55 public consultation rooms, better waiting facilities and improved IT infrastructure for parties involved in proceedings, as well as administrative office space for HMCS staff and judicial accommodation.

Main dispute resolution organisations and services

in London and the UK include:

London Court of International Arbitration (LCIA) Some 265 disputes were referred to the LCIA in 2012, nearly double the 137 in 2007.

International Chamber of Commerce (ICC) International Court of Arbitration 70 arbitration tribunals were administered in London in 2012 by the ICC, second only to Paris where the ICC is headquartered. Of over 1,341 arbitrators appointed to ICC tribunals in 2011, 169 were from the UK, the same as Switzerland, and more than any other country.

The London Maritime Arbitrators Association Disputes handled by the LMAA totalled over 3,800 in 2012, down from the 2009 peak of over 4,400 but above the 2,000 to 2,500 that was typical of the previous decade. In shipping there were 106 referrals made under *Lloyd's Form of Salvage Agreement* in 2011.

The Centre for Effective Dispute Resolution's (CEDR) is Europe's leading provider of commercial and workplace mediation. It handles over 650 disputes each year in the UK. Acquisition of IDRS from CI Arb in 2011 complements services of CEDR Solve. In 2010 CEDR trained 375 mediators of whom about two thirds were outside the UK.

CEDR's audit of mediation services, conducted every two years, found a total of 8,000 mediations were conducted in the UK in 2011, one third up on 6,000 in 2009. These included 960 by *PIM Senior Mediators* as well as those handled by *In Place of Strife*, CEDR and other mediators.

The Royal Institute of Chartered Surveyors The number of disputes to which resolvers are appointed fell from 8,917 in 2009 to 4,800 in 2012.

The Adjudication Society Over 1,200 disputes were reported in 2012 to the Adjudication Society, which promotes the use of adjudication in the resolution of construction disputes. Other bodies, including CEDR, CI Arb, RICS and the Royal Institute of British Architects, nominate adjudicators to resolve disputes in construction and engineering.

The Scottish Arbitration Centre opened in Edinburgh in March 2011, following the enactment in Scotland of a new arbitration regime in 2010. It promotes arbitration to the Scottish business community as an effective alternative to litigation and promotes Scotland to the world as a place to conduct international arbitration. Edinburgh provides an attractive alternative forum for dispute resolution. The Centre has an independent Arbitral Appointments Committee, which can make appointments. In Edinburgh, the Commercial Court of the Court of Session serves the needs of the business community and is well-suited to dealing with a wide range of commercial disputes. It has flexible procedures, under which cases are actively managed by experienced commercial judges.

Table 11
Arbitrations, mediation and adjudication in the UK

Number of referrals, appointments or cases submitted ²				
Mostly international				
	2007	2009	2011	2012
London Maritime Arbitrators' Association	2,673	4,445	3,555	3,849
London Court of International Arbitration	137	285	237	265
Lloyd's Open Forum	107	122	106	122
ICC Int. Court of Arbitration (UK seated) ¹	58	73	62	70
Centre for Effective Dispute Resolution ¹	64	72	70	70
Ad hoc arbitrations ¹	300	300	300	300
Total international	3,339	5,297	4,330	4,676
Mostly UK domestic				
Royal Institute of Chartered Surveyors	9,112	8,917	4,927	4,798
Centre for Effective Dispute Resolution ¹	650	600	600	600
Adjudication Society	1,506	1,737	1,064	1,282
PIM Senior Mediators ¹	669	732	960	960
Other mediations	2,281	4,668	6,440	6,510
Trade associations ¹	500	500	500	500
Total domestic	14,718	17,154	14,491	14,650
Total	18,057	22,451	18,821	19,326

¹ Estimate

² There is some overlap in the numbers of mediations between individual mediations and those organised by providers.

Source: Dispute resolution organisations, TheCityUK estimates

Table 12
Commercial Court, Admiralty Court & Technology and Construction Court

Number of claims and trials			
	Admiralty Court	Commercial Court	Technology and Construction Court
Claims			
2006	105	1,005	390
2007	89	838	409
2008	114	1,004	366
2009	230	1,259	528
2010	194	1,060	493
2011	214	1,331	528
2012	228	1,162	449
Trials			
2006	15	75	32
2007	13	63	33
2008	13	55	39
2009	17	56	49
2010	6	74	51
2011	13	73	49
2012	1	63	46

Source: Ministry of Justice Judicial and Court Statistics

LINKS TO OTHER SOURCES OF INFORMATION

Advocate General for Scotland

www.oag.gov.uk

Bar Council

www.barcouncil.org.uk

Chambers and Partners

www.chambersandpartners.com

The Commercial Bar Association

www.combar.com

The Journal of the Law Society of Scotland

www.journalonline.co.uk

The Faculty of Advocates

www.advocates.org.uk

Law Gazette

www.lawgazette.co.uk

The Law Society

www.lawsociety.org.uk

The Law Society of Northern Ireland

www.lawsoc-ni.org

The Law Society of Scotland

www.lawscot.org.uk

The Lawyer

www.thelawyer.co.uk

Legal Business

www.legalbusiness.co.uk

Legal Services Board

www.legalservicesboard.org.uk

Legal Week

www.lwk.co.uk

Ministry of Justice

www.justice.gov.uk

Office for National Statistics

www.statistics.gov.uk

Scottish Arbitration Centre

www.scottisharbitrationcentre.org

TheCityUK

TheCityUK champions the international competitiveness of the financial and professional services industry. Created in 2010, we support the whole of the sector, promoting UK financial and professional services at home and overseas and playing an active role in the regulatory and trade policy debate.

TheCityUK has a global export focus with a commitment to help UK based firms grow their business in other parts of the world. In 2012, the financial services industry accounted for 8% of UK GDP and 12% of UK tax receipts. The sector currently employs over one million people, more than two-thirds of whom work outside London, and underpins the businesses that drive jobs and growth. Added together with nearly one million employed in professional services, it is easy to see the importance of a sector that employs over 7% of the working population.

TheCityUK provides constructive advice and is the practitioner voice on trade policy and all aspects of taxation, regulation, and other legislative matters that affect the competitiveness of the sector. We conduct extensive research and run a national and international events programme to inform the debate. Our senior team regularly engages with regulators and policymakers at home and overseas, ensuring the sector's views are represented at the highest levels. We are tasked with creating a new vision for the financial services sector. We are focused on supporting policymakers and business to deliver the new policy ideas which will help deliver growth.

THECITYUK LEGAL SERVICES AND DISPUTE RESOLUTION GROUP

TheCityUK is taking a leading role in the promotion of UK expertise in legal services and dispute resolution through its working group, chaired by Khawar Qureshi QC.

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