



UK LEGAL SERVICES 2016

LEGAL EXCELLENCE, INTERNATIONALLY RENOWNED

July 2016

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TheCityUK

TheCityUK champions UK-based financial and related professional services. We are a membership body, lobbying on the industry's behalf, producing evidence of its importance to the wider national economy.

In the UK, the EU and internationally, we seek to influence policy which drives competitiveness, creating jobs and lasting economic growth. Our authoritative research and economic insight brings together the highest level of government and most senior industry figures, to shape better policy decisions, for the sector and its consumers.

TheCityUK produces evidence-based policy proposals on the issues that matter most to our industry, our members and the customers they serve. We promote open markets and seek to create the conditions which lead to business opportunities and economic growth. Our members enjoy unrivalled connectivity and profile-building across industry, government and the media. Through membership your organisation will have the opportunity to participate and collaborate on programmes which align with your commercial objectives and position in the market.

1 FOREWORD

from Chris Cummings, Chief Executive, TheCityUK

Following the result of the June referendum, our focus is on working with the Government to secure a relationship with the European Union (EU) that is in the interests of the financial and related professional services industry and the clients and customers it serves. This means maintaining the strongest possible trading links with the EU and beyond and ensuring the UK remains a globally attractive place in which and from which to do business. There will be challenges ahead, but the UK remains the leading global centre for the provision of international legal services and dispute resolution. The fundamental strengths of the sector, including the choice of English law, are key contributors to what makes us globally competitive. Legal services are a vital part of securing that ambition.

This report recommends a number of suggested actions which would make an important contribution in ensuring the UK can maintain and enhance its leading position in legal services. In addition, it presents key data, analysis and insight to bring into sharp focus the value of the legal services sector to the UK economy. With around 314,000 people employed in private practice, two-thirds of whom are based outside London, the sector generates 1.6% of UK gross value added (GVA). The leading international role played by UK-based law firms is evidenced by the sector's trade surplus which was worth £3.4bn in 2015.

The importance of London as the leading centre for the fair and effective resolution of international commercial disputes whether through litigation, arbitration or mediation is underscored in the report. This success is based on a whole series of factors including specialisation in commercial disputes and the flexibility, neutrality and appropriateness of English law for commercial contracts. Some 27% of the world's 320 legal jurisdictions use English common law.

The UK's internationally renowned legal offering has broader benefits for the UK economy. The clarity and confidence created by the rule of law, demonstrates that the two – the law and the wider economy – are intrinsically linked. This is not just because of its central role in fuelling the economy, but because law underpins and enables the business of doing business and has a clear influence on critical decisions, including where to headquarter global operations.

We therefore welcome a range of innovative initiatives implemented at the Rolls Building courts. These include the Financial List, which draws on the expertise of both the Commercial Court and the Chancery Division judges in tackling the most complex and market determining financial cases, on which TheCityUK has been engaged since it was first proposed. The ongoing development of English law, in the context of increasing international competition from other jurisdictions and the rise of international arbitration, in applying and adapting its principles to changes in global trade and investment is critical to the international attractiveness of the sector across the UK.

Through TheCityUK's Legal Services Group, chaired by James Palmer of Herbert Smith Freehills, we will continue to assess and respond to events which have the potential to impact on the sector. Against the backdrop of the outcome of the EU referendum our focus will be on the terms of the UK's exit from the EU and co-ordination with TheCityUK's Liberalisation of Trade in Services (LOTIS) Group. This will include a range of work on market access and major international negotiations with the potential to enhance trade in services including the Trade in Services Agreement (TiSA). In addition, we will continue our work on the domestic front which includes responding to proposals on the future regulation of the sector and the risks posed by sector-specific levies and surcharges in order to keep the UK the legal centre of choice.




UK LEGAL SERVICES SECTOR

2 of 4



2 OF THE LARGEST 4 LAW FIRMS IN THE WORLD BASED ON HEADCOUNT HAVE THEIR MAIN BASE OF OPERATIONS IN THE UK

THE UK ACCOUNTS FOR 10% OF GLOBAL LEGAL SERVICES FEE REVENUE — AND A FIFTH OF EUROPEAN FEE REVENUE

10%



22,000

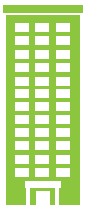
OVER 22,000, THE TOTAL NUMBER OF COMMERCIAL AND CIVIL DISPUTES RESOLVED IN THE UK THROUGH ARBITRATION, MEDIATION AND ADJUDICATION IN 2015



4 of 10

4 OF THE LARGEST 10 LAW FIRMS IN THE WORLD BASED ON GROSS FEE REVENUE HAVE THEIR MAIN BASE OF OPERATIONS IN THE UK

200



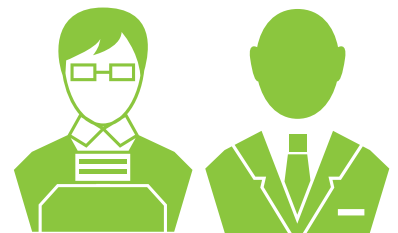
OVER 200 FOREIGN LAW FIRMS HAVE OFFICES IN THE UK — HALF ARE FROM THE US



27%

27% OF THE WORLD'S 320 LEGAL JURISDICTIONS USE **ENGLISH COMMON LAW**

314,000



314,000 PEOPLE ARE EMPLOYED IN UK LEGAL SERVICES — GENERATING 1.6% OF UK GVA AND A TRADE SURPLUS OF £3.4BN

2 KEY FINDINGS

Legal services in the UK

- The UK has a strong reputation as the **leading global centre for the provision of international legal services and dispute resolution**. It is also an important centre for legal education and training. In addition to firms in London, there are high-quality providers offering choice and value in cities such as Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool and Manchester.
- The sector continues to deliver solid financial results. **Gross fees generated by law firms in the UK increased by 1.3% in 2014/15 to a record £30.9bn, the fifth successive year of growth**. Although the largest firms saw a slight decline in revenue during 2014/15, this was more than offset by the positive performance of many mid-tier and smaller firms. Being smaller in size has enabled many firms in this segment of the market to implement change and cost reduction initiatives, including mergers, more quickly than larger, globally orientated firms.
- The business of law remains a significant contributor to the overall UK economy. The sector employs over **314,000 people** in private practice (those employed by law firms and independent practitioners), two-thirds of whom are located outside London. These jobs are highly skilled with clusters of expertise which attract investment and drive growth. The sector's **trade surplus has nearly doubled over the past decade to £3.4bn in 2015**, helping to partially offset the UK's trade in goods deficit. Legal services' contribution to the UK economy increased over 50% during this period, to **£25.7bn in 2015, or 1.6% of GVA**.
- The **legal sector has undergone a period of significant restructuring in recent years** and continues to be impacted by a range of factors including ongoing client pressures on fees and service delivery models, the growth of in-house legal teams and, in some practice areas, the emergence of innovative business models. This has, in part, been enabled by the introduction of alternative business structures (ABSs) by the Legal Services Act 2007.
- **Newer entrants to the market**, including accountancy firms EY, KPMG and PwC (through PwC Legal), **are increasingly competing for traditional law firms' business** across a range of commoditised and tax-based work. Innovative smaller law practices which have spun out of larger firms, online legal services companies, contract and on-demand lawyers and due diligence specialists are also an emerging element of the broader competition for business.
- These changes are **accelerating the need for law firms to innovate**, and reconsider their offerings and potential client base. An increasing number of large firms are choosing to locate operations in cities across the UK in order to take advantage of the skilled workforce and lower labour costs. There is also a major focus on improving technology utilisation across the sector. As firms seek to differentiate their offering, leveraging technology to re-engineer processes and deliver improvements in project management has grown in importance.

The UK's position internationally

- **The UK accounts for around 10% of global legal services fee revenue** which totalled around \$618bn in 2014/15. It is by far the largest market for legal services in Europe and second only to the US globally. The UK is very open in allowing virtually unrestricted access for foreign firms. There are over 200 foreign law firms from over 40 jurisdictions with offices in London and other cities across the country.
- The popularity of English law is an important factor contributing to the UK's strong global position. **Some 27% of the world's 320 legal jurisdictions use English common law.** The choice of English law for global commercial contracts is in part driven by the UK's reputation as the leading centre for international dispute resolution - whether through litigation, arbitration or mediation.
- The leading global position of international law firms based in the UK is underlined by:
 - **Two of the largest four Global 100 law firms, based on headcount in 2014/15, have their main base of operations in the UK.** In terms of gross fee revenue, UK-based firms held four of the top ten places;
 - **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. Nearly 7,000 solicitors from England and Wales are 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.
- London's reputation as a leading global centre for international dispute resolution through the courts is underlined by the fact that **in 2015, nearly 1,100 claims were issued in the Commercial Court**, of which more than two-thirds involved at least one party whose address is outside of England and Wales. Furthermore, London is viewed as the leading preferred centre for arbitration. The number of commercial and civil disputes resolved through arbitration, mediation and adjudication in the UK totalled over 22,000 in 2015.
- The strength of the UK as an international centre for dispute resolution is reinforced by the expertise of barristers and advocates involved in international practice. **Over 1,500 members of the Bar of England and Wales**, including around 1200 members of the Commercial Bar Association (COMBAR), now receive instructions from abroad. A significant component of their practice is in the field of international commercial law, with many international cases heard in the Commercial Court, the Chancery Division, and the Technology and Construction Court.
- There has been **ongoing expansion amongst the leading international firms**, both by office and by jurisdiction, as law firms look to support the international activities of their clients and capitalise on the expanding international marketplace for their services. A major trend in recent years has been the expansion of international law firms in both developed and emerging markets including the US, China, other Asian countries and Sub-Saharan Africa.
- **Legal services are a cornerstone of the broader financial and related professional services cluster which make the UK the leading international business hub.** Major global firms come to the UK to access this unrivalled breadth of services, seek advice from world-class legal and advisory firms, raise finance and insure their businesses – helping to create jobs throughout the UK. A strong, competitive and well-regulated legal services sector is essential for sustainable economic growth across the UK.

3 SUGGESTED ACTIONS

To ensure the UK's continuing position as the leading global centre for the provision of international legal services and dispute resolution, TheCityUK recommends:

- Focusing on innovation and infrastructure investment to reduce the cost and improve the speed of litigation in the UK. Collaborate with the judiciary to better understand Rolls Building courts users, including international parties, to ensure future investment – in both technology and courts structures and processes – reflects their needs and responds to the challenges set by competitor jurisdictions;
- Building a new narrative for the legal sector with a focus on its contribution and importance to the UK economy and society generally;
- Exploring collaboration between arbitral organisations and the judiciary to aid the ongoing development of English law;
- Partnering with Government to ramp up efforts to export UK legal and regulatory standards to emerging markets, which will also facilitate trade and investment;
- Working with governments and regulatory authorities to continue removing overseas barriers to trade in legal services, including increasing levels of mutual recognition and assisting the expansion of UK-based law firms;
- Ensuring a focus on legal services in key opportunities to enhance trade in services in future free trade agreements and the TiSA negotiations.

THECITYUK AND LEGAL SERVICES

TheCityUK is focused on ensuring the continued international competitiveness of the UK legal services sector. This involves assessing and responding to events which have the potential to impact on the sector. These include proposals on the future regulation of the sector and the risks posed by sector-specific levies and surcharges.

Examples of TheCityUK's domestic agenda include a range of engagement in the development of the Financial List, input to the Civil Courts Structure Review and submissions to HMG's consultation and inquiry on courts fees and preparation for the FCA consultation on overall responsibility for the legal function under the Senior Managers Regime.

TheCityUK plays an active role in promoting the use of UK legal services on the international stage. This includes identifying opportunities for TheCityUK members in initiatives including:

- India-UK Financial Partnership discussion papers: development of papers for Indian policymakers including Developing India's Corporate Bond Market and Infrastructure Finance;
- Capital Markets Union: in the Budget of March 2015, the Chancellor of the Exchequer invited TheCityUK to conduct a review of the European Listings Regime;
- International infrastructure: the demand for infrastructure projects and the development of PPP finance models in emerging economies is a key area of interest for members. TheCityUK has undertaken a variety of activities including member led masterclasses, seminars and workshops in a range of jurisdictions.

4 LEGAL SERVICES IN THE UK

The UK has a strong reputation as the leading global centre for the provision of international legal services and dispute resolution. It is also an important centre for legal education and training. In addition to firms in London, there are high-quality providers offering choice and value in cities such as Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool and Manchester.

The economic contribution of legal services should be seen in its broadest context of facilitating the administration of justice and a wide range of transactions and business activities. Legal services have both a multiplying and an enabling effect for business growth and stability. The sector also offers bespoke expertise to support other parts of the economy.

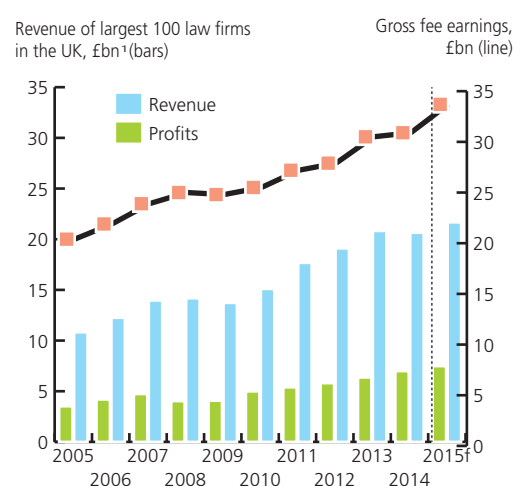
Fee revenue

Gross fees generated by law firms in the UK increased by 1.3% in 2014/15 to a record £30.9bn (Figure 1). This was the fifth successive year of growth, supported by the recovery in the UK's financial and business sector and strong law firms' exports. The sector has shown resilience following a brief setback at the outset of the financial crisis in 2007/08.

This growth has been achieved against a backdrop of significant structural reform caused by a range of factors including ongoing client pressures on fees and service delivery models, the growth of in-house legal teams and in some practice areas the emergence of innovative business models. This has, in part, been enabled by the introduction of alternative business structures (ABSs) by the Legal Services Act 2007.

Newer entrants to the market, including accountancy firms EY, KPMG and PwC (through PwC Legal), are increasingly competing for traditional law firms' business across a range of commoditised and tax-based work. Innovative smaller law practices which have spun out of larger firms, online legal services companies, contract and on-demand lawyers and due diligence specialists are also an emerging element of broader competition for business.

FIGURE 1
UK LEGAL SERVICES FEE INCOME

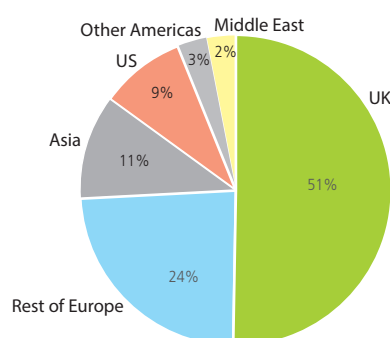


¹ The income of top 100 UK firms primarily originates in London. Data for top 100 firms is for the financial year.

Source: Office for National Statistics (ONS); Legal Business

FIGURE 2
DISTRIBUTION OF UK LAW FIRMS' LAWYERS

Geographical distribution of lawyers in largest 100 UK law firms (% share, 2014/2015)



Source: Legal Business

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 that also has affinities with the civil 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. 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, it is also possible for a member of the public to directly access advice or representation.

The Legal Services Board is an 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 organisation established to handle consumer complaints about lawyers, the Office for Legal Complaints. Different regulatory arrangements apply in Scotland and Northern Ireland.

Law firms have responded in a variety of ways including merging with other firms to build scale, deepening specific practice experience and entering new geographical markets. According to Jomati MergerLine UK, there have been 110 publicly reported mergers involving UK-based law firms in the Lawyer 100 rankings since January 2011. Of these, 39 involved a UK firm merging with a firm in another jurisdiction.

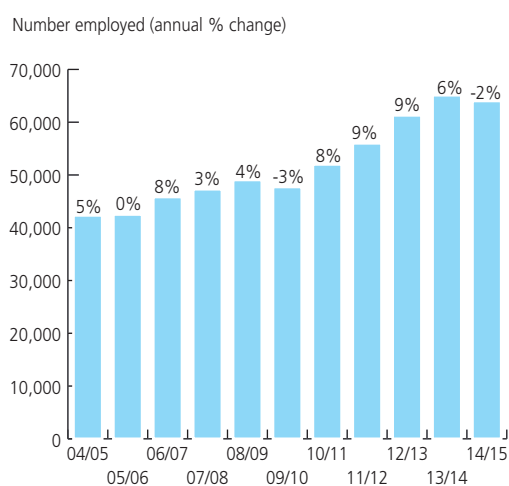
Overall, the revenue of the largest 100 law firms in the UK remained stable in 2014/15 at around £21bn. The top 25 firms saw a 2% decline in fee revenue. However, the diversity, breadth and depth of firms in the UK was evidenced by mid-tier and niche firms continuing their robust performance for the third year running. Firms ranked 25 - 50 saw a 6% increase in revenue during the year.

The comparative speed at which mid-tier and smaller firms have been able to both merge with other firms and implement change and cost reduction initiatives is a contributing factor to their generally positive growth performance. For example, the PwC Law Firms' Survey 2015 illustrates that 38% of total fees are now under fixed fee arrangements amongst UK law firms ranked 51 - 100, compared with only 23% for the top 25 firms.

The PwC survey also illustrates the varied picture of UK law firm performance in 2015, reporting that the number of UK-based firms increasing their UK fee income is higher than at any time since 2008. While 82% of UK-based law firms saw growth in 2015, only half of the top 10 firms achieved fee income growth.

The UK is the most international market globally for legal services, partly as a result of the widespread use of English law as a framework for international commercial contracts and dispute resolution. The UK has an established record in managing financial and professional business from developed economies. It has also been able to support emerging markets which increasingly require the UK's expertise to

FIGURE 3
LARGEST 100 UK-BASED LAW FIRMS, TOTAL HEADCOUNT



Source: Legal Business

achieve further progress in building their economies, providing infrastructure and supporting their citizens. For example, in 2015 Trowers & Hamlin became the first foreign law firm to secure a branch licence in Malaysia.

The total number of deals involving the largest UK law firms has increased steadily since 2009 (Figure 4). The average value of deals has, however, varied during this period, resulting in only modest growth in the total value of deals. Approximately half of the revenue of the largest law firms in the UK continues to be generated by international law firms, predominantly those based in London. US law firms in particular have expanded into the UK in recent years.

A key purchaser of legal services is the financial services sector and the attractiveness of the UK as a place to set up and grow a financial services business has contributed to the strength of the UK's legal services sector. Consolidation among investment banking firms and a fall in investment banking fee revenue in recent years has resulted in less advisory business for law firms. Practice areas which performed better have included insolvency/bankruptcy and restructuring. A number of firms have supplemented some of the loss in revenue with an increased focus on litigation and arbitration business as well as seeking to increase their international offering.

Data from the Law Society of England and Wales shows that between 2009 and the first half of 2015, the financial services industry accounted for 43% of the total value of deals on which the top 50 UK 'City' law firms advised. Energy and utilities accounted for 10%, technology, media and telecommunications 9%, real estate and construction 5% and manufacturing 2% (Figure 5). Looking at the whole market (including smaller law firms), the importance of financial services is a lower at around 20% in 2013 according to the latest the Law Society of England and Wales estimates. This was nevertheless more than three times that of the next largest source (construction, 5%).

FIGURE 4
Top 50 UK 'City' law firms deals

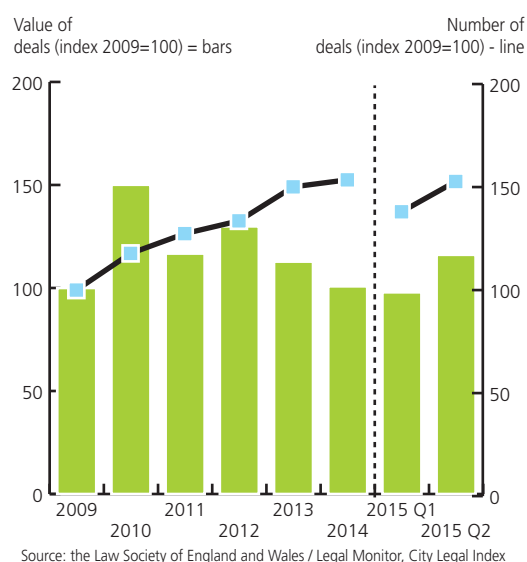
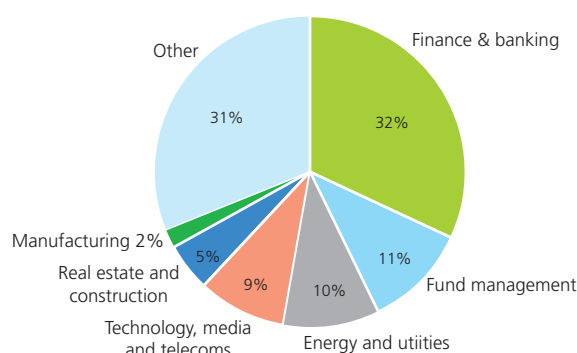


FIGURE 5
Top 50 UK 'City' law firms deals by industry

% share, 2009-1H 2015



Source: the Law Society of England and Wales / Legal Monitor, City Legal Index

A strong, competitive and well-regulated legal services sector is essential for the sustainable growth of the UK economy. The importance of the UK's internationally respected legal system was cited by HSBC as one of the key factors in their decision in February 2016 to remain headquartered in the UK rather than re-locate to Hong Kong. Major global firms come to the UK to access this unrivalled breadth of services, seek advice from world-class legal and advisory firms, raise finance and insure their businesses.

International legal services firms in London

London is the leading global centre for international legal services and dispute resolution. Law firms in the capital and elsewhere in the UK are in a prime position to win an increasing share of the global market, re-inforced by a strong international reputation and a diverse range of client offerings.

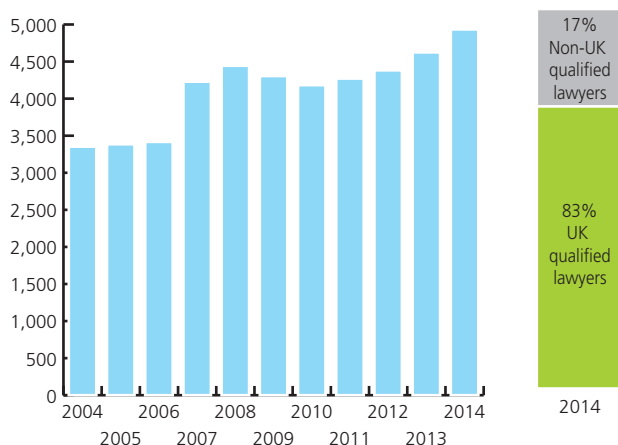
Overall, the UK is very open in allowing virtually unrestricted access for foreign law firms, with US firms, in particular, having a long-standing presence in the city. This foreign-firm presence adds to the sector's contribution to the UK economy. There are over 200 foreign law firms in the UK from over 40 jurisdictions, many of which have English law capability in addition to their home jurisdiction offering. Large international law firms remain at the core of London's leading reputation as an international legal services provider.

There is a growing demand for English law from developing markets. For example, in January 2016, a survey of 500 commercial law practitioners and in-house counsel conducted by the Singapore Academy of Law found that 48% of respondents identified English law as their preferred choice of governing law in contracts.

London is the leading global centre for international financial services. The co-location and clustering effect of banking, insurance, fund management and other financial services helps to underpin its position as a major centre for international legal services. London's reputation as a

FIGURE 6
HEADCOUNT OF LARGEST OVERSEAS FIRMS IN LONDON

Total head-count, yearly average
(50 largest overseas law firms in London)



Source: Legal Business

FIGURE 7
NON-UK LAW FIRMS LARGEST OFFICES IN LONDON

2014/15, £m	London fee-earners	of which English qualified	other qualified
Baker & McKenzie	397	381	16
Reed Smith	373	365	8
White & Case	353	281	72
Latham & Watkins	296	178	118
Mayer Brown	251	249	2
Jones Day	217	201	16
Shearman & Sterling	166	106	60
Weil, Gotshal & Manges	160	153	7
Kirkland & Ellis	149	118	31
Dechert	139	103	36
K&L Gates	129	122	7
Skadden, Arps, Slate, Meagher & Flom	125	100	25
Cleary Gottlieb Steen & Hamilton	120	96	24
Sidley Austin	115	104	11
Debevoise & Plimpton	103	85	18

Source: Legal Business



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 re-organisations, 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 & ship finance, World Bank and EBRD projects work;
- **International capital markets** Equity issues, asset securitisation, privatisation, derivative products, Eurobonds;
- **Tax** Corporate tax (and personal tax planning where there is no private client department), stamp duty, VAT;
- **Trade Law** The World Trade Organisation, international commercial law on trade in goods and services, trade and intellectual property, cross-border transactions, and trade disputes;
- **Dispute resolution** Arbitration, alternative dispute resolution and litigation;
- **Insurance and reinsurance** Advising on claims and related litigation and arbitration;
- **Property** sales and leasing of commercial property, property finance, property development, construction, environmental law, town and country planning;
- **Intellectual property** Patents, trademarks, copyrights, confidentiality;
- **Product liability** Liability along the chain of manufacture of any product for damage caused by that product;
- **Employment/pensions** Implications of M&As, 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;
- **EU Law** All aspects of EU law;
- **Competition** Anti-trust law, monopolies, mergers, cartels and abuse of a dominant position.

leading global centre for the provision of international dispute resolution is underlined by the fact that more than two-thirds of claims issued in the Commercial Court involve at least one party from outside England and Wales. Furthermore, the UK capital is viewed as the leading preferred centre of both litigation and arbitration. For example 40% of governing law in all global corporate arbitrations is English law.

The headcount of the largest 50 foreign law firms in London reached a record 4,937 in 2014/15. This was up from 4,624 in the previous year (Figure 6). The total number of partners also grew to a new high of 1,403. The continuing strength of the US economy relative to Europe has given US law firms an additional boost in the last two years. The bulk of business undertaken by international law firms in London is on behalf of both UK and international companies.

International law firms in London TheCityUK identifies firms as international if more than a third of their lawyers are working outside their home jurisdiction. Some firms, however, may have few lawyers working abroad but remain very global in their work and outlook. International law firms in London feature prominently in rankings of largest global firms (Figure 26). The largest UK law firms typically have between 45% – 65% of lawyers outside the UK. US firms are generally more orientated towards their domestic market, having less than a quarter of their lawyers outside the US.

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&As, project finance, tax and intellectual property around the world. Other smaller firms are world leaders in their own niche practice offering expertise in services including shipping and international insurance.

Foreign law firms in London can be broadly divided into full service or niche firms and firms that mainly 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 (Figure 7). The largest firms on this list include Baker & McKenzie, Reed Smith, White & Case and Latham & Watkins.

The Establishment of Lawyers Directive (1998) requires EU lawyers practicing in the UK to register with an appropriate professional body such as the Law Society of England and Wales 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.

US law firms There are more than 100 US law firms with offices in London, around 40% – 50% of which offer a full service English law capability. 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. More than four-fifths of lawyers employed by US law firms in London are from the UK or registered to practice in the UK.

Law firms from other jurisdictions in London typically provide services to UK-based international corporations and financial institutions undertaking business in the country from which they originate. A number of European firms have a significant

presence in London, including firms from France, Germany, Italy, Spain and the Netherlands. Australia is also well represented in London by its largest firms which concentrate on providing expertise in 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 the energy sector.

Legal services across the UK

The UK is the major global hub for international legal, financial and other related professional services. Within the UK, the importance of London is core to its position, but other cities such as Edinburgh and Glasgow in Scotland; Birmingham, Bristol, Leeds and Manchester in England; Cardiff in Wales; and Belfast in Northern Ireland are also important legal, professional and financial services centres.

The UK legal services industry directly employs over 314,000 people in private practice. These jobs are highly skilled and distributed across the whole country, with clusters of expertise which attract investment and drive growth. Around two-thirds of those employed by the sector are located outside London (Figure 10).

The legal services sector offers education, training and apprenticeships to develop the skills of its workers. This deep pool of labour and skills has seen the legal services industry respond to the needs of key sectors throughout the UK. For example, with more than 2000 companies operating in the energy sector, the Scottish legal profession has a highly developed expertise in the oil, gas and renewable energy sectors.

FIGURE 9
LARGEST UK LAW FIRMS OUTSIDE LONDON, BY TURNOVER

2014/15 (table excludes firms identified by Legal Business as 'national')

	Headquarter location	Turnover £m
1. Osborne Clarke	Bristol	151
2. Hill Dickinson	Liverpool	104
3. Burges Salmon	Bristol	81
4. TLT	Bristol	63
5. Browne Jacobson	Nottingham	59
6. Brodies	Edinburgh	58
7. Freeths	Nottingham	56
8. Keoghs	Bolton	55
9. Burness Paull	Edinburgh	51
10. Shakespeares	Birmingham	49
11. Shepherd and Wedderburn	Edinburgh	48
12. Maclay Murray & Spens	Glasgow	44
13. Walker Morris	Leeds	42
14. Thomas Eggar	Crawley	41
15. Clarke Willmott	Bristol	40
16. Dickson Minto	Edinburgh	39
17. Ashfords	Exeter	35
18. Bevan Brittan	Bristol	35
19. Birketts	Ipswich	35
20. Ward Hadaway	Newcastle	33

Source: Legal Business

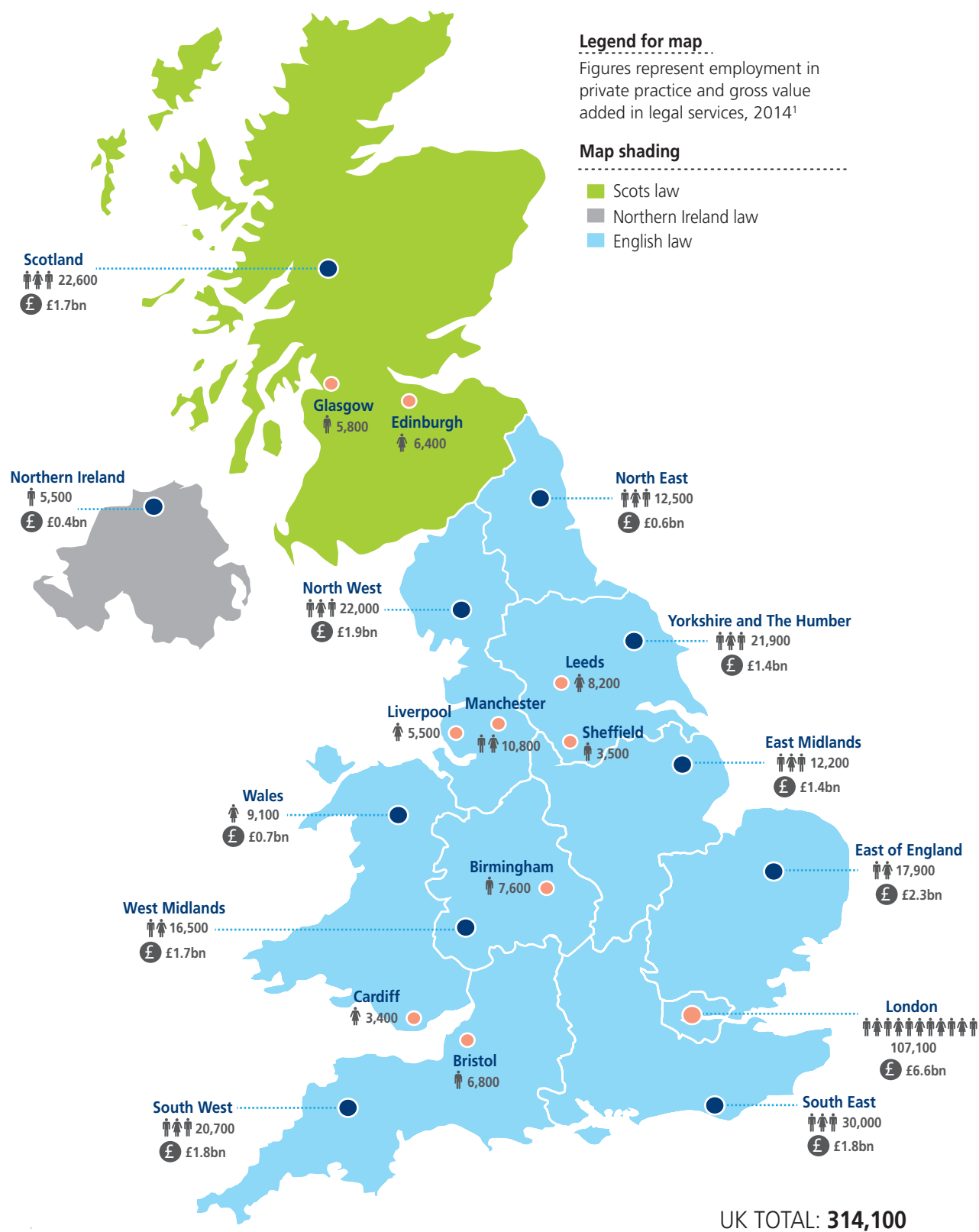
FIGURE 8
LARGEST UK LAW FIRMS IN THE UK, BY TURNOVER

2014/15

	Headquarter location	Turnover £m
1. DLA Piper	International	1,505
2. Clifford Chance	International	1,350
3. Allen & Overy	International	1,281
4. Linklaters	International	1,267
5. Freshfields Bruckhaus Deringer	International	1,245
6. Norton Rose Fulbright	International	1,118
7. Hogan Lovells	International	1,079
8. Herbert Smith Freehills	International	815
9. Dentons	International	796
10. CMS	International	753
11. Ashurst	International	561
12. Squire Patton Boggs	International	544
13. Slaughter and May	London	505
14. Clyde & Co	London	395
15. Eversheds	National	381
16. Pinsent Masons	National	363
17. Simmons & Simmons	London	290
18. Berwin Leighton Paisner	London	259
19. Bird & Bird	London	259
20. Taylor Wessing	London	240
21. Irwin Mitchell	National	211
22. DAC Beachcroft	National	199
23. Addleshaw Goddard	National	193
24. DWF	National	191
25. Wragge Lawrence Graham & Co	National	180
26. Macfarlanes	London	160
27. Osborne Clarke	Bristol	151
28. Stephenson Harwood	London	145
29. Holman Fenwick Willan	London	139
30. Charles Russell Speechly	London	135
31. Withers	International	134
32. Kennedys	London	130
33. Olswang	London	127
34. Nabarro	London	126
35. Watson, Farley & Williams	London	125
36. Mishcon de Reya	London	117
37. Fieldfisher	London	113
38. Bond Dickinson	National	107
39. Travers Smith	London	106
40. Hill Dickinson	Liverpool	104
41. BLM	National	104
42. Shoosmiths	National	103
43. RPC	London	94
44. Weightmans	National	89
45. Thomsons	National	82
46. Mills & Reeve	National	82
47. Burges Salmon	Bristol	81
48. Gateley	National	80
49. Ince & Co	London	79
50. Trowers & Hamlin	London	79

Source: Legal Business

FIGURE 10
LEGAL SERVICES ACROSS THE UK



¹ Practicing certificate holders not in domestic private practice include those working in-house, in foreign firms and on a contract basis, and those not attached to an organisation.

Source: ONS Nomis; TheCityUK calculations

TheCityUK defines firms as regional if they have over 45% of lawyers in one region. Some domestic law firms with 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 domestic firms such as Eversheds have developed London practices. A number of other firms have opened London offices while others have merged with London-based law firms. Conversely, some domestic law firms have chosen to stay out of London and concentrate on regional business.

Technology is, in some practice areas, enabling standardised solutions and the ability to commoditise certain legal services functions. This has made it easier to move these activities to low cost centres with firms both outsourcing activities including e-disclosure and document review and establishing their own captive low cost centres. The service offering of these centres is becoming increasingly focused on commoditised legal work in addition to back office support.

Improvements that can be made include transferring support functions and recruiting personnel in lower cost locations and achieving economies of scale through better utilisation of support personnel. Among leading firms there are a number of examples including Allen & Overy, Baker & McKenzie and Herbert Smith Freehills opening offices in Belfast; Ashurst in Glasgow; Berwin Leighton Paisner, Latham & Watkins and Freshfields Bruckhaus Deringer in Manchester; and Hogan Lovells in Birmingham.

International practice of barristers and advocates

The importance of the UK as the leading global centre for international financial and related professional services has created 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 EU law. COMBAR members have been instructed to appear as advocates or experts in 40 international arbitration centres and courts in 25 jurisdictions globally.

In addition to COMBAR, there are other specialist bar associations, many of whose members include barristers practicing 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. The Technology and Construction Bar Association (TECBAR) is the organisation for barristers specialising in disputes arising out of

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 matters. 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 and advocacy services.

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 1,600 senior barristers known as Queen's Counsel (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 performs the same function as a barrister in England & Wales. 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 in Belfast to other European jurisdictions such as Ireland 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.

technology and construction. The Criminal Bar Association is the focal point of contact for those concerned with commercial and business fraud. The Intellectual Property Bar Association is the specialist bar association for barristers practicing in all areas of intellectual property law.

A 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 arbitration 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;
- *Arbitration* London is a major centre for international and commercial arbitration. Many QCs 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 including under the rules of the International Chamber of Commerce and the London Court of International Arbitration. 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.

FIGURE 11 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

5 DISPUTE RESOLUTION IN LONDON AND THE UK

English law is the most commonly used law in international business and dispute resolution. The abundance of legal talent in London and the UK contributes to its reputation as the leading global choice for international dispute resolution, whether through litigation, arbitration or mediation. This pre-eminence is built on the impartiality, integrity and depth of experience of the judiciary, state of the art courtrooms and the vast network

of world class support services (including interpreters, transcribers, translators, document services and IT providers). In addition, London's place as the leading international financial centre means that most experts in banking, funds and insolvency disputes are in close proximity.

International arbitration is a form of dispute resolution that allows contracting parties to choose a neutral venue where their disputes are settled. The UK is a global leader in international and commercial arbitrations. More of these take place in London, under English law, than in any other city in the world. Within the UK, Scotland provides an attractive alternative forum for dispute resolution. A growing number of international law firms view arbitration as an important practice line. However, London faces increasing competition from other centres such as Paris, Hong Kong and Singapore.

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 totalled over 22,000 in 2015. Nearly 18,000 of these were domestic and some 4,700 mostly international (Figure 12). 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. According to data from the Law Society of England and Wales, over 100 solicitors firms in the UK specialise in alternative dispute resolution (specialist firms with over 30% of turnover from that area).

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 47% of respondents in the 2015 International Arbitration Survey undertaken by Queen Mary University of London and White & Case. It compares with 38% favouring Paris, the next most popular seat (Figure 13). The primary factor driving the selection of a seat is its reputation and recognition. The Survey also found that 90% of respondents prefer international arbitration as their dispute resolution mechanism, either as a stand-alone method (56%) or together with other forms of ADR (34%);
- English law is the main choice of law for commercial contracts. 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% (Figure 14) according to the Queen Mary University survey;
- The average cost of arbitration in other European countries is 18% higher than in the UK according to the latest survey of 20 arbitral organisations by the Chartered Institute of Arbitrators;

HOW UK EXPERTISE MEETS THE REQUIREMENTS OF PARTIES TO INTERNATIONAL DISPUTES

Parties to international disputes wish to access expertise that will enable them to efficiently and effectively resolve any dispute in which they are involved. Depending on the nature of the dispute, parties may wish to avoid litigation preferring to use arbitration or mediation. They will have a variety of requirements in choosing the jurisdiction used to resolve the dispute and the location of the arbitration or mediation. Such requirements, which are met in London and the UK, may include:

- Arbitration and Alternative Dispute Resolution (ADR) legal framework provided by the Arbitration Act 1996 and the Arbitration (Scotland) Act 2010 under which an award is enforceable, with limited grounds for challenging the award;
- Flexibility in procedures developed by dispute resolution organisations;
- Neutral forum for resolving disputes between international parties;
- Confidentiality of proceedings;
- Party autonomy in language and law;
- Depth of expertise in larger complex cases with appreciation of the commercial issues involved. Expertise in the UK may be derived from specialist dispute resolution organisations, individual arbitrators and mediators, expert witnesses as well as international law firms and barristers that provide specialist advice and advocacy;
- A well respected judiciary and appropriately resourced courts system is a vital support mechanism for a well-functioning arbitration and ADR sector;
- Availability of suitable venues and supporting services, such as interpreters, translators, stenographers and IT services.

- The Rolls Building in London, opened in 2011, plays a key role in sustaining the UK's reputation as the first choice for business law including arbitration. In 2015 over 25% of claims commenced in the Commercial Court related to arbitration, clearly illustrating the value of the courts in underpinning arbitration enforcement;
- 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.

The Ministry of Justice conducted a study¹ in 2015 aimed at understanding the drivers behind the decisions of litigants to initiate commercial litigation, and where to litigate. The study found that London was considered to be a popular and natural jurisdiction for the litigation of high value cross-border disputes. The main reasons for this included:

- The reputation and experience of English judges;
- English law, which was described as the preferred choice of applicable law in international commercial transactions due to its quality, certainty and efficiency in commercial disputes.

¹ Ministry of Justice: Factors Influencing International Litigants' Decisions to Bring Commercial Claims to the London Based Courts

FIGURE 12
ARBITRATIONS, MEDIATIONS AND ADJUDICATIONS IN THE UK

Number of referrals, appointments or cases submitted¹

	2007	2009	2011	2013	2015
<i>Mostly international</i>					
London Maritime Arbitrators' Association	2,673	4,445	3,555	2,966	3,160
London Court of International Arbitration	137	285	237	301	332
Lloyd's Open Form	107	122	106	61	65 ¹
ICC Int. Court of Arbitration (UK seated) ²	58	73	62	70	70
Centre for Effective Dispute Resolution ²	300	400	600	691	838
Ad hoc arbitrations ²	300	300	300	300	300
Total international	3,575	5,625	4,860	4,389	4,738
<i>Mostly UK domestic</i>					
Royal Institute of Chartered Surveyors	9,112	8,917	5,004	4,462	4,512
Centre for Effective Dispute Resolution ²	2,500	3,500	4,000	4,500	4,792
Adjudication Society ³	1,506	1,730	1,064	1,282	1,500 ¹
Other mediations	2,281	4,668	6,440	6,653	6,574
Trade associations ²	500	500	500	500	500
Total domestic	15,899	19,315	17,008	17,397	17,878
Total	19,474	24,940	21,868	21,786	22,616

¹ There is some overlap in the numbers of mediations between individual mediations and those organised by providers.

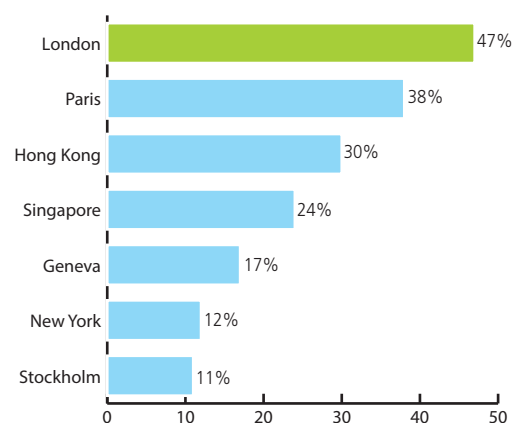
² Estimate

³ Adjudication Society figures are for financial years

Source: Dispute resolution organisations, TheCityUK estimates

FIGURE 13
PREFERRED SEAT OF ARBITRATION

Seat of arbitration preferred by arbitrators,
% share of survey respondents, 2015¹



¹ The question posted to survey respondents was: "What are your or your organisation's three preferred seats (if any)?"
Source: Queen Mary University of London / White & Case 2015 International Arbitration Survey

Other drivers for London-based litigation included the well-established reputation of the English courts across a range of business sectors, efficient remedies, procedural effectiveness and form neutrality. However, respondents cited increasing competition in the international dispute resolution market with other jurisdictions, including Singapore, New York and Dubai, marketing themselves to attract disputes traditionally heard in London.

Main dispute resolution organisations and services in London and the rest of the UK include:

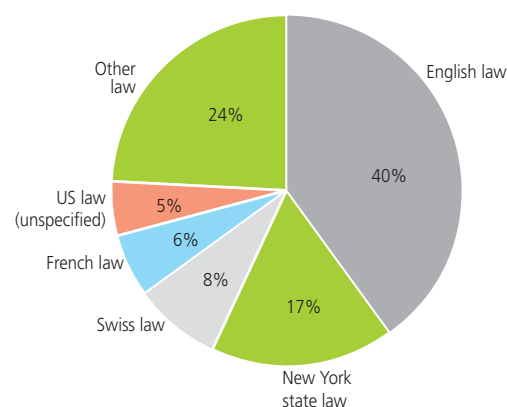
London Court of International Arbitration (LCIA) The LCIA received 296 requests for arbitration in 2014 and 6 requests for mediation or another form of alternative dispute resolution. This increased further in 2015 to a record 332.

International Chamber of Commerce (ICC) - International Court of Arbitration 70 arbitration tribunals were administered in London in 2015 by the ICC, second only to Paris, where the ICC is headquartered.

The London Maritime Arbitrators Association (LMAA) disputes handled by LMAA Full Members totalled nearly 3,200 in 2015, down from the 2009 peak of over 4,400. Despite this decline the number of cases dealt with in maritime arbitration in London far exceeds the number of all other international arbitrations in London. It also makes London by far the leading centre worldwide for the resolution of international maritime disputes.

FIGURE 14
GOVERNING LAW IN ARBITRATIONS USED
BY CORPORATIONS

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



Source: Queen Mary University, 2010 International Arbitration Survey

FIGURE 15
ADMIRALTY COURT, COMMERCIAL COURT, AND
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
2013	181	1,198	475
2014	197	1,174	414
2015	205	1,087	396
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
2013	4	56	41
2014	4	75	39
2015	1	70	46

Source: Ministry of Justice Judicial and Court Statistics

Lloyd's Open Form Lloyd's Form of Salvage Agreement (LOF) has been in use for over a hundred years, providing a framework for determining the amount of remuneration to be awarded to salvors for their services in saving property at sea and minimising or preventing damage to the environment. Originating in the late 1800s, it is today the most widely used international salvage agreement of its kind.

In shipping there were over 60 maritime arbitrations made under Lloyd's Form of Salvage Agreement in 2015. In about a half of those cases arbitration is invoked and an arbitrator appointed; the rest are settled without recourse to arbitration.

The Centre for Effective Dispute Resolution (CEDR) CEDR handled over 5,600 disputes for all ADR processes in 2015. One of the reasons for the large number of cases is a growing comfort from in-house legal to use ADR for a variety of different types of dispute.

The Royal Institute of Chartered Surveyors The number of disputes to which resolvers were appointed increased from 4,356 in 2014 to 4,512 in 2015.

The Adjudication Society Around 1,500 disputes were reported in 2014/15 to the Adjudication Society, which promotes the use of adjudication in the resolution of construction disputes. Other bodies, including CEDR, CI Arb, Royal Institute of Chartered Surveyors and the Royal Institute of British Architects, nominate adjudicators to resolve disputes in construction and engineering.

The Scottish Arbitration Centre (the Centre) promotes domestic and international arbitration under the Arbitration (Scotland) Act 2010 and Scotland as a place to resolve disputes. The Centre has an independent arbitral appointments committee, which can make appointments in ad hoc cases and its arbitration suites, overlooking Edinburgh Castle, provide an attractive forum for dispute resolution. The Centre is also home to the International Centre for Energy Arbitration (ICEA), an energy arbitration project between the Centre and the Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) at the University of Dundee, which is focused on research and the development of dispute systems for the energy sector. In May 2016 the Centre won its bid for Edinburgh to host the International Council for Commercial Arbitration (ICCA) Congress in 2020, the world's largest and most prestigious conference devoted to international arbitration.

ROLLS BUILDING, ROYAL COURTS OF JUSTICE

The biggest dedicated business, property and commercial court in the world was opened in London in 2011. The building housing it, 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. The number of claims and trials heard by these specialist jurisdictions is shown in Figure 15.

A significant proportion of these claims involve companies outside the UK. Overall, 32% of all claims across the Rolls Building in the 6 month period from January to June 2016 were international in nature, equating to about 500 claims. It is noteworthy that during that period, some 70% of claims in the Admiralty and Commercial Court were international, with 31% of all claims in these courts involving international parties on both sides.

Within the Chancery Division 20% of claims were international, rising to 72% in the Patents Court, where 28% of claims involved international parties on both sides. The Technology and Construction Court recorded that 17% of claims were international.

In addition, the role of the courts in providing a vital support mechanism for a well-functioning arbitral process is reinforced by the fact that in 2015 over 25% of cases in the Commercial Court related to arbitration.

In October 2015 a modern IT system was introduced throughout the Rolls Building jurisdictions. It has enabled electronic management of court files and listing of cases as well as offering court users the ability to remotely issue cases at any time.

ROLLS BUILDING: INNOVATIVE RESPONSES TO MEET THE NEEDS OF COURTS USERS

The ongoing development of the Rolls Building jurisdictions to ensure they meet the needs of users is critical. 2015 saw the implementation of innovative judicial-led initiatives designed to improve service delivery and the user experience:

The Financial List is a specialist cross-jurisdictional list that launched on 1 October 2015. It draws on the expertise of both the Commercial Court and the Chancery Division judges in tackling the most complex and market determining financial cases.

It also introduces for the first time anywhere in the world a market test case procedure, which enables parties to submit a case for resolution by a judge(s) of the list where there is no live dispute between the parties but there is a point of uncertainty in the law and the financial markets would benefit from a steer from the courts as to how they would come down on the issue at hand. Not only does the Financial List provide the expertise required for the resolution of complex cases that affect the financial markets, but it aims to do so speedily, meeting the requirements of global business. The Financial List has proved to be popular, handling a number of important cases. In addition, to ensure that the Financial List remains relevant to court users a Financial List Users Committee has been established. It has a broad membership drawn from representatives of legal and market associations, as well as Financial List judges.

The Shorter and Flexible Trial Procedures Pilot Schemes, also launched on 1 October 2015, are cross-jurisdictional, operating across the Chancery Division, Commercial Court and Technology & Construction Court.

The Shorter Trial Scheme is intended to achieve tight control of the litigation process by the court, in order to resolve disputes on a commercial timescale (judgment within a year from issue of proceedings). Cases are managed by a docketed judge with a trial date fixed no more than 8 months after the case management conference and with judgment six weeks thereafter. The maximum length of trial is four days, including reading time. Costs budgeting is not applicable; instead costs will be assessed summarily.

The Flexible Trial Scheme enables the normal process to be adapted to the parties' needs. It aims at facilitating agreement on modifications, and limits, to disclosure, expert and other evidence and submissions.

NEW PROCEDURE FOR ARBITRATION OF FINANCIAL DISPUTES

The Expedited Arbitration Procedure for Financial Disputes was launched in April 2015. The procedure aims to reduce the time and costs of arbitration, and to encourage parties in the financial sector to use arbitration. It is designed to be compatible with the rules of the major arbitral institutions including the ICC, LCIA, Hong Kong International Arbitration Centre (HKIAC), Panel of Recognised International Market Experts in Finance (PRIME) and Swiss Chambers of Commerce, all of whom have confirmed that it is compatible with their arbitration rules.

The Expedited Procedure should assist parties in the financial sector who wish to resolve their disputes swiftly and effectively without incurring significant costs. It is also sufficiently adaptable that it could be used for disputes in other sectors.

6 CONTRIBUTION TO THE UK ECONOMY

Legal services have wide ranging economic significance through their close connection with the general institutional architecture of society. Institutions that are stable and credible facilitate economic development and lead to higher levels of economic activity. The quality of legal institutions is also linked to financial sector development, an area which is critical to economic growth.

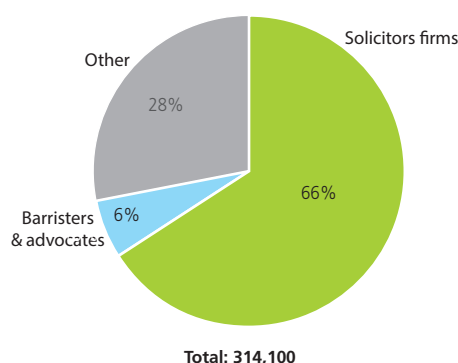
The direct contribution of the legal profession to the UK economy can be measured in terms of GVA, employment and net exports.

Output The output of UK legal services in terms of value added to the economy increased by over 50% in the decade up to 2015 to £25.7bn or 1.6% of total GVA. 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, trademarks and copyright as well as activities of arbitrators, notaries and bailiffs. This also includes retail work (including conveyancing and wills), and social welfare work (including immigration, discrimination and human rights). The main exclusions on the Office for National Statistics (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, the Law Society of England and Wales figures indicate a total of around 370,000. This estimate does not include Practising Certificate (PC) holders not attached to an organisation.

FIGURE 16
EMPLOYMENT IN UK LEGAL SERVICES

% share, 2014 (private practice)¹



¹ Excludes those working in-house, in foreign firms and on a contract basis, and those not attached to an organisation.
Source: ONS Nomis

FIGURE 17
PRACTISING CERTIFICATE HOLDERS IN ENGLAND & WALES

Number of solicitors in England and Wales

	Total private practice	Total non-private practice ¹	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	41,010	128,778
2013	86,840	40,836	127,676
2014	90,306	40,076	130,382
2015	91,062	42,305	133,367

Practising certificate holders in Scotland

2015	7,817	3,425	11,358
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¹ Practising certificate holders not in domestic private practice include those working in-house, in foreign firms and on a contract basis, and those not attached to an organisation.

Source: The Law Society of England and Wales, Annual Statistics Report 2015/16; The Law Society of Scotland

Detailed ONS figures for the 314,100 employed in private practice, show that around two-thirds are located outside London. Solicitors account for some 66% of this with barristers and advocates generating 6%. Other legal activities, including patent and copyright agents, account for the remaining 28% (Figure 16).

Solicitors in private practice include those employed by law firms and independent practitioners. The long term trend is one of growth for the in-house sector, principally in the private sector. In part this has seen some in-house legal teams take on more routine legal work as they are able to perform this more cost effectively than by commissioning external legal advisors.

Data from the Law Society of England and Wales shows that around 22% of all PC holders, or some 25,000, worked in the in-house sector in 2015. This was up from 16% a decade earlier. The vast majority of in-house solicitors (67%) work in the private sector, with many concentrated in the financial services sector. The number of solicitors in private practice in the UK has increased by a fifth over the past decade:

- The number of solicitors employed in private practice in law firms in England and Wales totalled over 90,000 in 2015 (Figure 17). This does not include lawyers employed in the UK who are qualified in another jurisdiction, principally US lawyers;
- Law firms in Scotland and Northern Ireland employ 7,800 and around 2,000 solicitors respectively;
- Over 200 foreign law firms from over 40 jurisdictions, including over 100 US firms, maintain a presence in London. However, the size of their presence varies from being full service in a few firms to a 'nameplate' for a larger number.

Traineeships and graduate intake According to the Law Society of England and Wales, trainee solicitor registrations totalled 5,457 in the twelve months to 31 July 2015. This was up 9.1% on the same period in the previous year. The latest Times annual rankings of the 100 largest graduate employers in the UK, show that law firms' graduate intake totalled over 750 in aggregate, about 4% of the total graduate recruitment in 2015¹. There were ten law firms listed amongst the largest 100 UK graduate recruiters list in 2015.

Solicitors in non-private practice represent another important source of employment in the UK and total over 45,000. The majority of these work in the private sector, local government and the Crown Prosecution Service. Over the past decade, the proportion of PC holders employed outside private practice in the UK has nearly doubled.

Barristers and advocates The number of barristers in independent practice in England and Wales totalled 15,866 in 2015. In Scotland there are around 460 advocates, and in Northern Ireland 600 barristers.

Number of firms Based on ONS figures, the legal services market in the UK comprised around 30,000 firms in 2014. Solicitors form the largest single group of providers (around 44% of all entities). The average size of a barrister firm is approximately 2, while the average size of a solicitor firm is around 19 people. Other law firms average approximately 12 people. These firms compete with a range of other legal professionals to differing

¹ The Times: Top 100 Graduate Employers

extents. Within reserved work these include barristers, notaries, legal executives, law costs draftsmen, trade mark attorneys, licensed conveyancers and patent attorneys; within unreserved work these include the wider legal services market delivered by unregulated providers such as will writers.

The Legal Services Act 2007 is an Act of the UK Parliament that sought to liberalise and regulate the market for legal services in England and Wales, to encourage more competition and to provide a new route for consumer complaints. The Act allows ABSs with non-lawyers in professional, management or ownership roles. The Act creates a system whereby approved regulators can authorise licensed bodies to offer reserved legal services. 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.

More than 600 ABS licenses have been granted so far in England and Wales to a broad range of entities including large corporate groups such as BT Group, Capita, Saga and the Automobile Association, with these firms aiming to offer a wider range of services to customers at a lower cost than traditional providers.

Three of the Big Four accounting firms, EY, KPMG and PwC, have had ABS applications approved, with the latter directly owning limited liability partnership, PwC Legal. EY and KPMG received approval to operate on a multidisciplinary basis offering clients integrated teams of tax, regulatory, accounting and legal specialists with a focus on legal activities that complement their own practices including tax, compliance and immigration. Deloitte has not yet applied for an ABS license in the UK but continues to expand its international legal offering and in March 2016 entered the Canadian market.

The ability to leverage global footprints, particularly in emerging markets, as well as access to established technology platforms and lower cost resource outside the UK is likely to be a contributing factor to the medium term growth of these legal offerings. However, as the generally positive performance of mid-tier firms illustrates the overall impact that EY, KPMG and PwC Legal could have on this market segment, and the broader market is not yet certain.

Exports of legal services Legal services consistently generate a trade surplus, helping to offset the UK's trade in goods deficit. The sector provides 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 international firms with an office in the UK; barristers and advocates providing services to foreign clients; and legal services provided by lawyers employed by other organisations, which are not themselves, legal entities.

- Exports from solicitors firms were estimated at £3,968m in 2015;
- Exports generated by barristers totalled £132m in 2015. More than 1,500 barristers now undertake international work, thereby generating exports;
- Exports generated from lawyers in other organisations totalled around £41m in 2015, of which a large proportion was due to activities of patent agents. The remainder 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 £770m, net exports of UK legal services stood at £3,374m in 2015 (Figure 18).

FIGURE 18
NET EXPORTS OF UK LEGAL SERVICES

£m ¹	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	3,925	799	3,126
2013	4,206	845	3,361
2014	4,824	995	3,829
2015	4,144	770	3,374

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

7 THE UK'S POSITION INTERNATIONALLY

The UK accounts for around 10% of the global market for legal services in terms of fee revenue, according to TheCityUK estimates. It is by far the largest market in Europe, accounting for over a fifth of its revenue. 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.

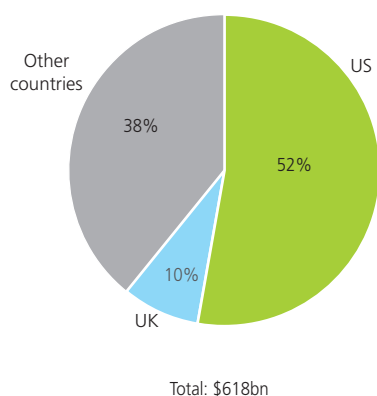
The legal services industry is seeing a gradual improvement in total revenue and profits. Global law firms' fee income totalled close to \$620bn in 2014/15 (Figure 19), some 20% above the pre-financial crisis level. This was the fifth successive year of growth and follows two years of declining income as demand for legal services fell at the outset of the financial crisis in 2007/08.

The largest 100 global law firms' fee revenue grew by 5% in 2014/15 to a record \$93bn (Figure 20). The world's 100 largest law firms are on track to break through the \$100bn revenue barrier by 2017. Consolidation continues apace as some firms seek to benefit from economies of scale. This means that figures showing growth in recent years have been somewhat inflated as some of the increase in fee revenue was driven by merger activity, leading to increased concentration of service providers. More than 50 law firms are competing either as global elite or international business law firms. In the coming years, there are likely to be more mergers amongst these firms, as well as between these firms and local firms in many jurisdictions.

The geographical distribution of Global 100 firms (in terms of fee income/based on headquarters) by region shows that around a half are located in the US, followed by Europe (excluding UK) 21%, UK 15%, Asia 11%, Latin America and Canada 1%, and Middle East the remaining 1%. Cities where international law firms are most likely to establish an office include London, New York, Brussels, Tokyo, Hong Kong, Singapore and Paris.

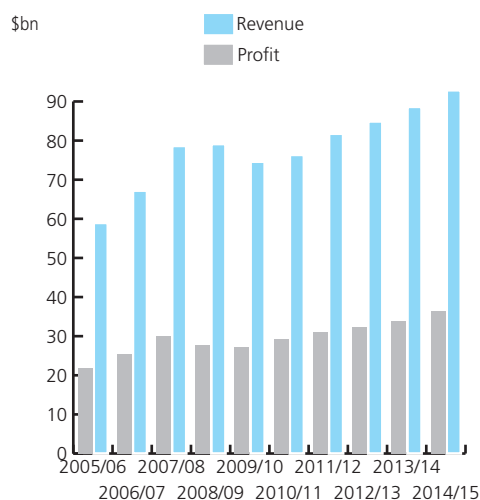
FIGURE 19
GLOBAL LEGAL SERVICES FEE REVENUE

Global fee revenue 2014/15



Source: TheCityUK estimates based on Marketresearch.com and ONS data

FIGURE 20
GLOBAL 100 FEE REVENUE AND PROFIT



Source: Legal Business

There has been ongoing expansion amongst the leading international firms, both by the number of overseas offices opened and by jurisdiction. Eight out of the top ten global firms have well over half of their lawyers located outside their home jurisdiction. Europe is enjoying strong growth as a source of business for large international law firms led by cities including London, Paris, Frankfurt and Brussels. Over the longer term, however, law firm growth in established industrialised countries is expected to continue to be outpaced by expansion into emerging market countries, although this is subject to market access conditions.

A major trend in recent years has been the expansion of international law firms in both developed and emerging markets including the US, China, other Asian countries and Sub-Saharan Africa. Barristers chambers have also begun to establish in emerging international dispute resolutions centres with permanent presences in Singapore, Hong Kong, Abu Dhabi, New York, Doha and Geneva.

This has been prompted by the internationalisation of a growing number of companies from these countries and wider trade and investment which generates M&A, private equity and capital-raising business for law firms.

Large law firms from emerging markets continue to create a meaningful presence. The top 50 firms in Asia employ over 27,000 lawyers, including 3,000 from firms headquartered outside the region, mostly US and UK law firms. Many UK-based firms are continuing to develop their African presence, despite economic headwinds created by ongoing low commodity prices. In countries that have more protectionist rules in place, foreign law firms have formed partnerships or strategic alliances with local firms as a way of gaining an entry point. The liberalisation of the legal services market globally should contribute to further globalisation of the sector.

The number of legal professionals worldwide totalled around 3.3 million in 2014/15. The headcount of the largest 100 law firms increased by 1% during the year to a record

FIGURE 21
DISTRIBUTION OF SOLICITORS OVERSEAS

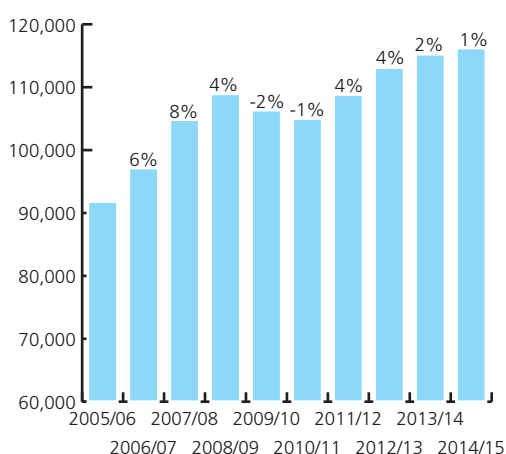
Number of solicitors with England and Wales practicing certificates based abroad (by country, 2015)

	Number of solicitors	% share
Hong Kong	955	14%
United Arab Emirates	942	14%
Singapore	721	10%
US	448	6%
Channel Islands	391	6%
Germany	292	4%
Australia	275	4%
France	271	4%
Switzerland	256	4%
Belgium	159	2%
Other	2,186	32%
Total	6,896	100%

Source: The Law Society

FIGURE 22
GLOBAL 100 LAW FIRMS HEADCOUNT

total lawyers, Global 100



Source: Legal Business

116,000 (Figure 22). The largest 15 global firms accounted for nearly a half of fee earners of the largest 100 firms, down 3% on the previous year (Figure 23).

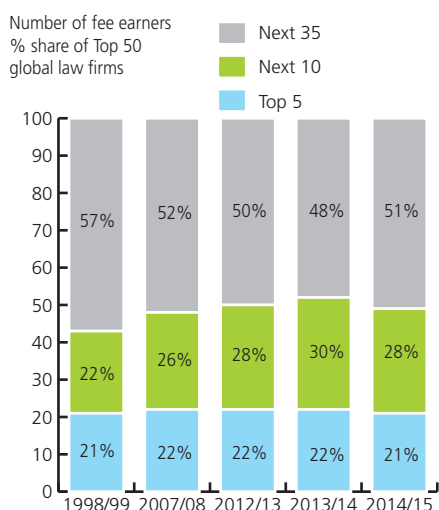
Baker & McKenzie had the most lawyers worldwide (4,245 in 2014/15), followed by DLA Piper and Norton Rose Fulbright (Figure 25). Latham & Watkins held the top spot in terms of gross revenue (with \$2,612 million), ahead of Baker & McKenzie (\$2,540 million) and DLA Piper (\$2,481 million) (Figure 26).

The majority of firms amongst the Global 100 are from the US. Collectively US firms accounted for more than a half of the Global 100 fee revenue. 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. UK-based firms continue to feature prominently in the rankings:

- Two of the largest four global law firms in terms of the number of lawyers had their main base of operations in the UK in 2014/15. The largest UK firms have outpaced US firms in terms of international expansion in recent years, both in terms of number of jurisdictions they operate in and overseas offices opened. Figure 21 illustrates that there are nearly 7,000 practising certificate holders from the UK who are working abroad;
- UK-based firms held four of the top ten places based on revenue. Clifford Chance was the largest UK-based law firm on this measure, followed by Allen & Overy, Linklaters and Freshfields Bruckhaus Deringer.

The popularity of English law is an important factor contributing to the strong global position of UK based law firms. In international commercial transactions, contracting parties are free to enter a clause into their contract which enables them to choose law from any jurisdiction they see fit as the governing law which will determine the outcome of any

FIGURE 23
CONCENTRATION OF LEGAL SERVICES



Source: TheCityUK calculations based on Legal Business data

FIGURE 24
COMPARISON OF GLOBAL LEGAL SYSTEMS



Source: The Law Society; Wood 2008

FIGURE 25
LARGEST LAW FIRMS BY NUMBER OF LAWYERS

2014/15	Location	Number of lawyers
Baker & McKenzie	International	4,245
DLA Piper	International	3,981
Norton Rose Fulbright	International	3,461
Clifford Chance	International	2,992
CMS	International	2,776
Dentons	International	2,744
Latham & Watkins	National (US)	2,612
Linklaters	International	2,601
Hogan Lovells	International	2,593
Allen & Overy	International	2,523
Jones Day	National (US)	2,493
King & Wood Mallesons	Hong Kong	2,366
Freshfields Bruckhaus Deringer	International	2,332
Herbert Smith Freehills	International	2,294
K&L Gates	National (US)	1,952

Source: Legal Business

FIGURE 26
LARGEST LAW FIRMS BY GROSS FEES

2014/15	Headquarters	Gross revenue \$m
Latham & Watkins	National (US)	2,612
Baker & McKenzie	International	2,540
DLA Piper	International	2,481
Skadden, Arps, Slate, Meagher & Flom	New York	2,315
Clifford Chance	London	2,218
Kirkland & Ellis	Chicago	2,150
Allen & Overy	London	2,112
Linklaters	London	2,088
Freshfields Bruckhaus Deringer	London	2,052
Jones Day	National (US)	1,850
Norton Rose Fulbright	International	1,814
Hogan Lovells	International	1,779
Sidley Austin	Chicago	1,754
White & Case	International	1,503
Gibson, Dunn & Crutcher	Los Angeles	1,466
Herbert Smith Freehills	London	1,343
Morgan, Lewis & Bockius	National (US)	1,317
Sullivan & Cromwell	New York	1,276
Dentons	International	1,275
Greenberg Traurig	National (US)	1,271
Cleary Gottlieb Steen & Hamilton	New York	1,250
Simpson Thacher & Bartlett	New York	1,246
CMS	International	1,243
Mayer Brown	International	1,223
Reed Smith	International	1,152
Weil, Gotshal & Manges	New York	1,151
K&L Gates	National (US)	1,145
Ropes & Gray	Boston	1,116
Quinn Emanuel Urquhart & Sullivan	Los Angeles	1,104
Davis Polk & Wardwell	New York	1,072
Wilmer Cutler Pickering Hale and Dorr	National (US)	1,071
King & Wood Mallesons	Hong Kong	1,037
Paul, Weiss, Rifkind, Wharton & Garrison	New York	1,037
Paul Hastings	National (US)	1,001
Morrison & Foerster	San Francisco	968
King & Spalding	Atlanta	934
Ashurst	London	925
McDermott Will & Emery	Chicago	900
Orrick, Herrington & Sutcliffe	San Francisco	877
Squire Patton Boggs	International	871
Akin Gump Strauss Hauer & Feld	National (US)	868
Shearman & Sterling	New York	845
Dechert	National (US)	839
Slaughter and May	London	832
Proskauer Rose	New York	818
Cooley	San Francisco	802
Goodwin Procter	Boston	786
Winston & Strawn	Chicago	786
Milbank, Tweed, Hadley & McCloy	New York	761
Debevoise & Plimpton	New York	711

Source: Legal Business

disputes which arise over contractual obligations. Many contracting parties favour English law over that of other jurisdictions.

The emergence of the Eurobond market since the 1960s and the success of London as a global finance hub has also contributed to its popularity. English law is the most widely used legal system in the world, covering 27% of the world's 320 legal jurisdictions (Figure 24). American common law is by contrast used by around 20% of the world's population. English law is by some distance the most widely used foreign law in Asia.

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 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 international presence of US law firms is typically more fragmented than of international law firms based in London;
- 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. London-based firms' wider international coverage and increasing share of European and Asian markets is enabling them to expand relationships with US investment banks.

8 SOURCES OF INFORMATION

Data comparing law firms is mainly based on gross fee earnings, number of lawyers, fee earners and other support staff employed by each firm, which includes an indication of the number of lawyers employed overseas. These figures are published in league tables including the Legal Business 100 and the Legal Business Global 100.

Law firms in England and Wales provide certain information to the Law Society Group. Some of this data is aggregated and made available for publication in the Law Society of England and Wales Annual Statistics Report. This includes a variety of data on employment, according to, for example, type of employer (including where solicitors are not employed in private practice), size of firm and turnover. The Annual Statistics Report also includes a range of other information on, for example, numbers of law graduates, trainees and newly qualified solicitors.

The ONS figures provide an indicator of the contribution of legal services to the UK economy (covering solicitor, barrister and other legal firms) in terms of employment, GVA and net exports.

Links to 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 of England and Wales

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.legalweek.com

Ministry of Justice

www.justice.gov.uk

Office for National Statistics

www.statistics.gov.uk

Scottish Arbitration Centre

www.scottisharbitrationcentre.org

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