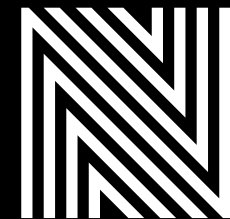




Managing business acceptance risks including implementing new systems

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N A B A R R O

CLARITY MATTERS

Agenda

- Overview – Drivers
- Business Acceptance Risks – Why do we care?
- Business Acceptance Systems
 - The why's...
 - The how's...
 - The who's...
- Some tips for you
- Final thoughts

Overview

- Growing trend of firms taking a hard look at existing new business acceptance processes with the aim of identifying ways to increase efficiencies and better align client selection with overall business strategy and financial goals
- Risks are proliferating, driven not only by professional standards, client mandates and complex conflicts challenges, but also by evolving regulatory rules
- No longer just the traditional Conflicts and AML roles for client take on - Risk Assessments, Engagements letters, Terms of Business and Business Strategy
- Competitive market place for bespoke Business Acceptance systems for law firms however there is currently one clear market leader...

Why do we care?

Strategy Allignment

Is the prospective client in line with the firm's sector/strategy? Will this work conflict us from taking on a more profitable piece of work?

Reputation

Risk of being associated with the "wrong" clients or third parties, including those who have a controversial reputation or are associated with bribery, corruption and fraud causing unfavourable publicity or a negative reaction from their clients or the media.

Financial

Can the prospective client pay our fees?

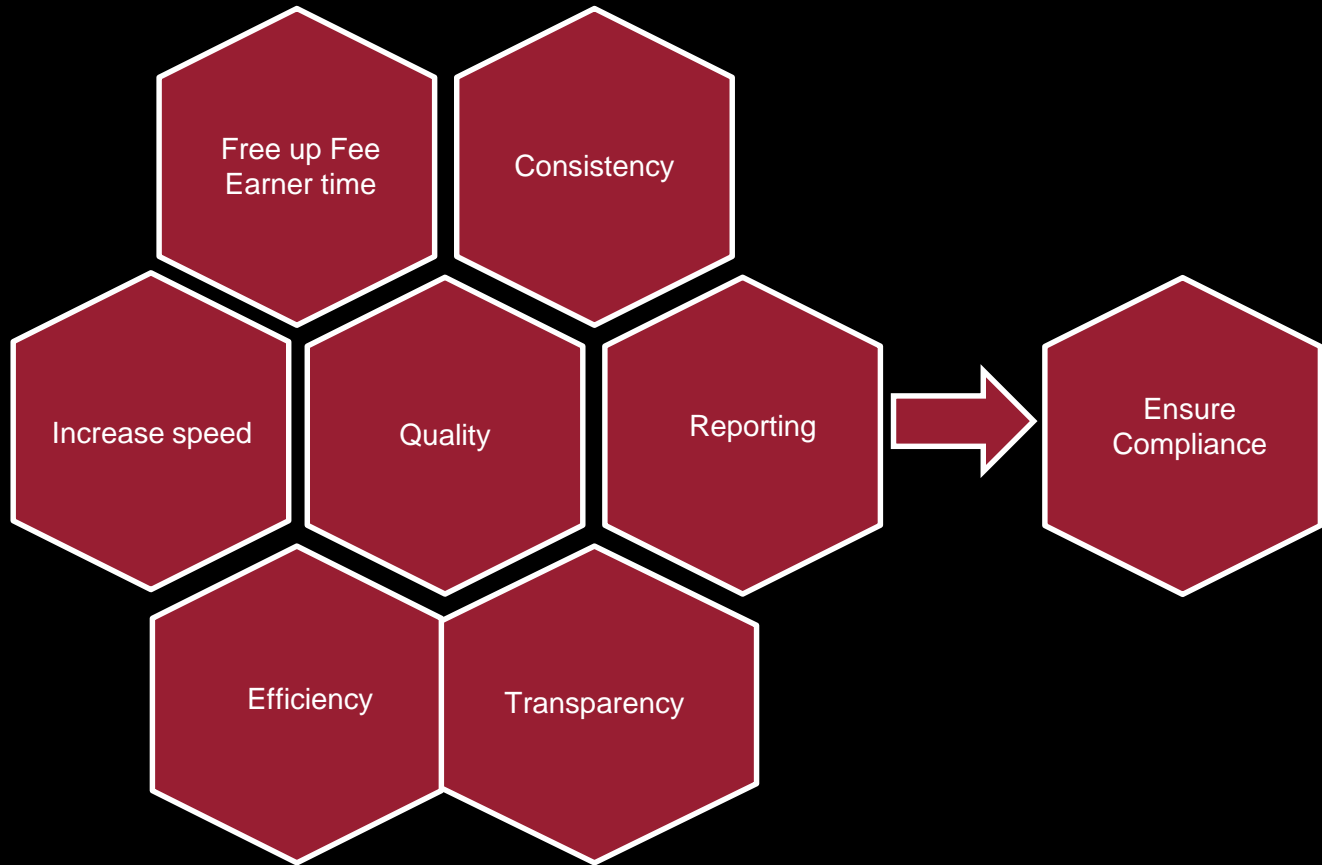
Regulatory

Conflicts and confidentiality, AML and sanctions risk.

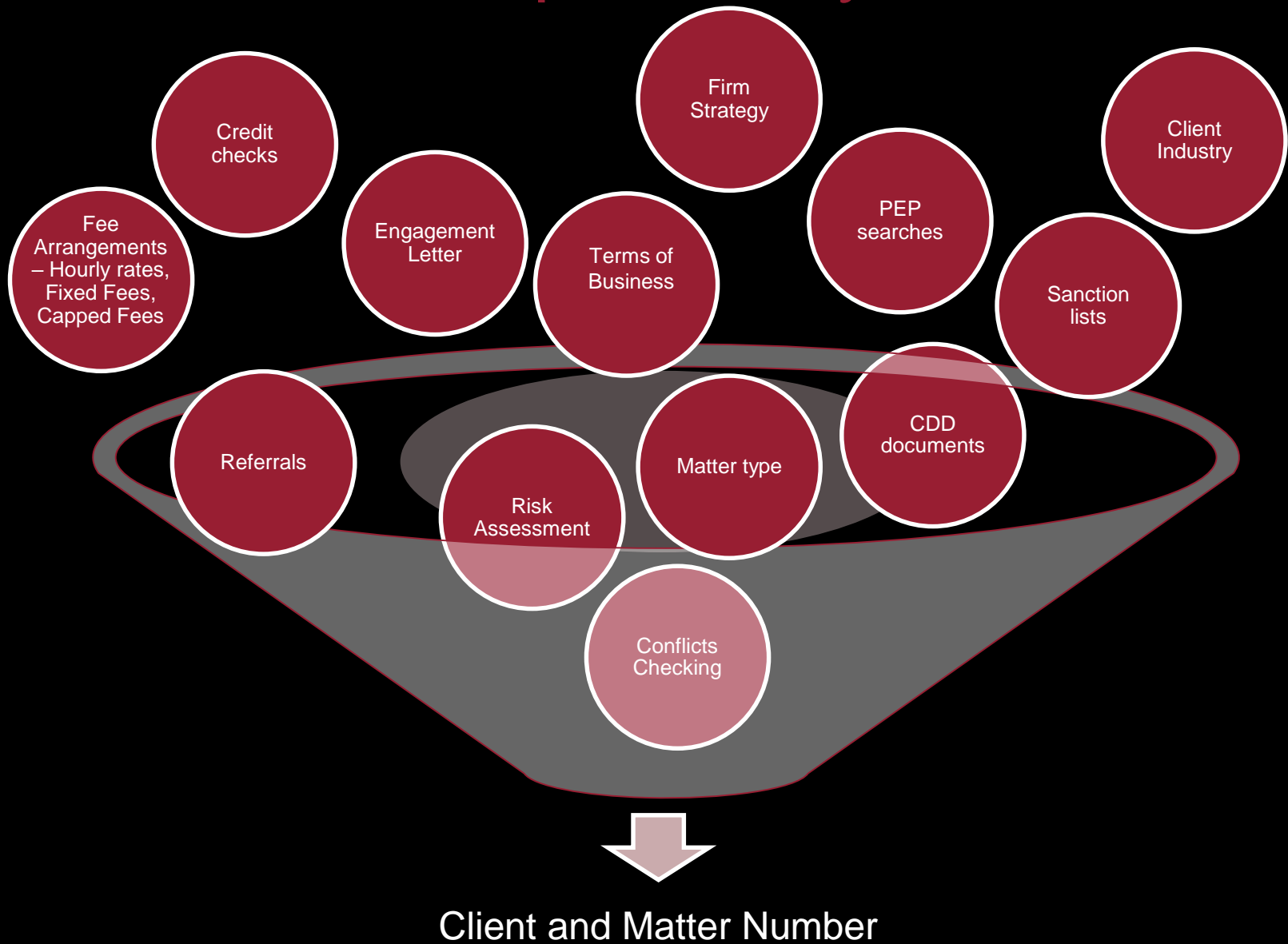
Business Acceptance Systems

- Many software tools can be used to assist in the business acceptance process
- There is a trend now for business acceptance systems to bring all of these tools together in one solution to create efficiency.
- These can take many forms:
 - In-house systems
 - Off the shelf systems
 - Customised systems
- These facilitate the integration of multiple sources of data and business acceptance tools traditionally with your finance system

Aims



Business Acceptance Systems



Who?







- Centralised v. de-centralised
- Large firms generally centralise the management of client intake and conflicts
 - Client Matter Inception (CMI) team. Generally composed of paralegals but with lawyers in the mix when escalation is required. Often for costs reasons, these teams are based in a regional office. Some firms outsource overseas.
- Can you nurture a 'grass roots' team
 - or
- Do you need to hire a 'ready made team'
- Combined CMI Team vs. Conflicts Teams and AML Teams

Controls






- Escalation process – Client Take Committee or Risk Committee
 - keep it small as intake can be time-sensitive.
 - Reputational Risk
 - Commercial Risk
 - Strategy
- Business Acceptance Systems
- Training



Red Flags

-  The client is overly secretive and evasive about who they are, why they are requesting your assistance and what the big picture details are
-  Instructions are received from an individual who is not one of the formal parties to the transaction or their representative
-  The Matter is a referral or taken over from another firm in circumstances where the solicitor /client relationship has broken down
-  Work involves acting for clients who are native to, resident in or incorporated in higher risk countries, especially those with current sanctions.
-  The client holds or has previously held a political or high level appointment or has family ties to such an individual
-  The transactions are unusual because of the size, nature, frequency or manner of execution

Red flags (cont'd)

-  New Business falls outside the core areas of the firm's practice or of the practice of the individual taking on the work.
-  New Business with a credit risk attached to it - prospective client's credit rating is poor
-  Over onerous client terms including unlimited liability caps and onerous conflicts of interest clauses
-  Engagement letters are not correctly drafted or worse, not issued to the client for each transaction
-  Are there any travel risk to your fee earners by undertaking this transaction

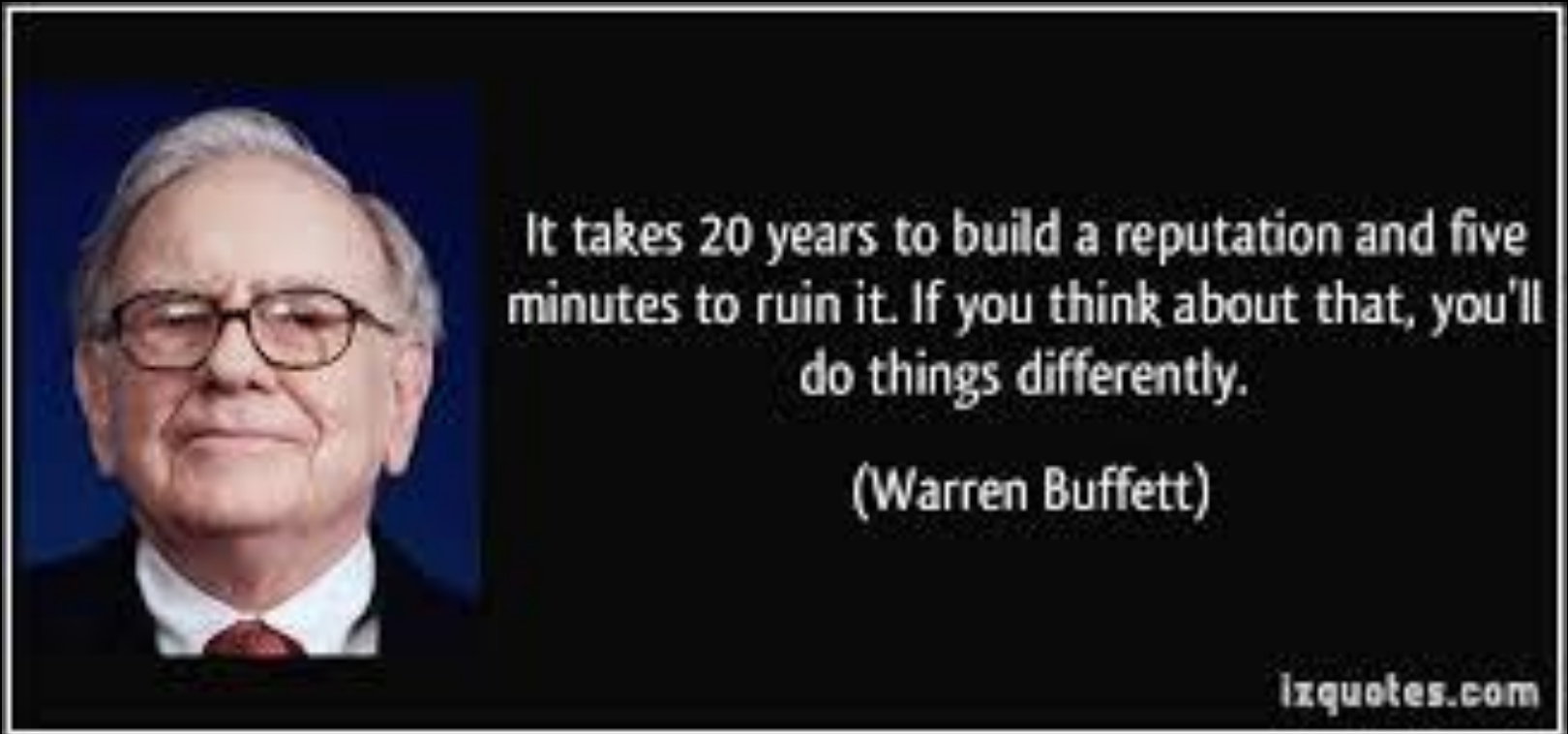
Implementing a new system – what to consider

- Knowing what you want is key
- Place your focus on design and testing
- Don't forget communicating the change to the business – people don't tend to take change well and may resist at first. As such this is a critical piece of your planning
- Make use of reference groups and collaborate with finance and marketing as well as with the partners responsible for bringing in work and secretaries, to reach the firm's goals and further improve processes
- Centralise to create efficiencies but do not remove partner's responsibility
- Consider a data cleanse prior to implementation
- K.I.S.S!

Final thoughts

- Can/should you take on a client – the ethical issue?
- Client acceptance is not a one off process, there is a continuing obligation to monitor the client over time and not only be aware of changes but be reactive to them.
- Finally...

Reputation, Reputation, Reputation!



It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

(Warren Buffett)

lzquotes.com

Any questions?

