

**ALLOWING SINGAPORE LAW PRACTICES MORE FLEXIBILITY
TO GROW AND ENHANCE INTERNATIONAL COMPETITIVENESS****MEDIA FACT SHEET****Introduction**

1. The legal services market has become increasingly globalised in recent years. The competitive environment has given impetus to law firms to review their business strategies and consider options for tie-ups and expansion.

2. The Ministry of Law will implement the following policy changes in the second quarter of this year:

(1) **Singapore Law Practices (SLPs) which employ Foreign Lawyers (FLs) within their local practices.** FLs employed within the SLP will be able to take a greater profit and equity share in the SLP.

(2) **SLPs which tie up with Foreign Law Practices (FLPs) based overseas:**

- (i) FLs within the overseas FLP will be able to take a greater profit and equity share in the SLP;
- (ii) The overseas FLP will be able to take a profit and equity share in the SLP;
- (iii) Lawyers working in the overseas FLP will be able to concurrently be partners in the overseas FLP and the SLP; and
- (iv) Lawyers working in the SLP will be able to concurrently be partners in the SLP and the overseas FLP.

(3) **SLPs which tie up with FLPs based in Singapore.** SLPs and FLPs based in Singapore will have increased scope for collaboration within an amended Formal Law Alliance (FLA) framework. For SLPs and FLPs which

enter into a Joint Law Venture (JLV), concurrent partnerships between the two constituents of the JLV will now be allowed.

(4) **Qualifying Foreign Law Practices (QFLPs).** QFLPs will be allowed to enter into FLAs or JLVs, and retain their QFLP licence.

(5) **SLPs which want to employ corporate structures.** SLPs will be allowed to establish a related law corporation. Singapore Lawyers will be able to hold executive appointments in companies set up by the SLP for related activities.

(1) SLPs which employ FLs within their local practices

3. FLs employed by the SLP will be able to take a greater profit and equity share in the SLP beyond the current 25% provided in the Legal Profession (International Services) (LPIS) Rules.

4. Rule 35 will be enhanced and other appropriate amendments made to Part IX of the LPIS Rules to allow SLPs *which comply with specific minimum criteria* to share profit and equity up to a maximum of 33%.¹ With effect from the operational date, the following minimum criteria² will be imposed on all new applications, as conditions for approval:

- a) Singapore Lawyer (SL)³ : FL⁴ ratio of at least 2:1.
- b) SL partner⁵ : FL partner ratio of at least 2:1.
- c) The Managing Partner(s) must be a SL, and at least 2/3 of the voting rights in a management/executive committee or equivalent, if any, must be held by SLs.
- d) At least 2/3 of the equity share of the firm must be held by SLs.

¹ The sum effect of these changes to the Legal Profession (International Services) Rules 2008 and section 130L (see paragraph 6) is that SLPs will be able to share up to a total of 33% of its profits and equity with non-SLs (whether these are FLs and/or FLPs).

² Equivalent criteria will apply to law firms incorporated as companies rather than partnerships. References to 'partner' refer to 'director' in the context of a law corporation.

³ Refers to advocates and solicitors holding a Singapore Practising Certificate and who are not nominees or trustees for foreign lawyers or foreign law firms.

⁴ Foreign Practitioner Certificate (FPC) holders are counted as FL.

⁵ 'Partner' here refers to all partners, whether equity partners, salaried partners or other types of partner.

- e) At least 2/3 of the voting rights in the firm must vest in SLs.
- f) All the lawyers working in the ring-fenced areas must be SLs.
- g) The cumulative amount of payment out of profits by the SLP during any financial year of that SLP to all FLs and/or FLPs shall not exceed a third of the profits⁶ of that SLP during that financial year.

(2) SLPs which tie up with FLPs based overseas

(i) FLs within the overseas FLP will be able to take a greater profit and equity share in the SLP⁷

5. FLs within the overseas FLP will be able to take a greater profit and equity share in the SLP beyond the current 25% provided in the (LPIS) Rules, up to a maximum of 33%, subject to the SLP complying with the minimum criteria listed at paragraph 4.

(ii) The overseas FLP will be able to take a profit and equity share in the SLP

6. Section 130L of the Legal Profession Act has been enhanced to allow the overseas FLP to take a share of the SLP's profits and equity, up to 33%.⁸ This is subject to the SLP complying with the minimum criteria listed at paragraph 4.

(iii) Lawyers working in the overseas FLP will be able to concurrently be partners in the overseas FLP and the SLP

7. Lawyers who are partners working in the overseas FLP will be allowed to concurrently be partners in the SLP, subject to the SLP complying with the minimum criteria mentioned at paragraph 4.⁹

⁶ The annual financial statement of the SLP will be used to determine the profit base. Thus, for example, revenue from overseas offices will be included only if it is put into the SLP accounts (instead of being utilised overseas).

⁷ A foreign lawyer cannot take any equity share in a SLP unless: (a) he is registered under section 130I or 130K of the Legal Profession Act; and (b) he has the approval of the Attorney-General under section 130L(1) of that Act. Clause 10 of the Legal Profession (Amendment) Bill 2012 (and its related amendments) does not change this position.

⁸ Related amendments will be made to Part IX of the Legal Profession (International Services) Rules 2008 and the Legal Profession (Law Corporation) Rules.

(iv) Lawyers working in the SLP will be able to concurrently be partners in the SLP and the overseas FLP

8. Subject to the same minimum criteria of paragraph 4, lawyers who are partners in the SLP will be allowed to be concurrently partners of the overseas FLP (with relevant rules being made to allow this¹⁰).

(3) SLPs which tie up with FLPs based in Singapore

9. SLPs and locally based FLPs which wish to enter into any form of partnership will continue to require either an FLA or JLV.

FLAs

10. Policies and rules will be amended to allow an enhanced framework for the FLA, which will enable the SLP and FLP to cooperate as two freestanding firms while having the benefit of co-branding and billing, profit and equity sharing arrangements, sharing of office premises and resources, client information, etc. Under this new framework, profit and equity sharing in the SLP with the FLP will be allowed at both the individual and entity level up to 33%. Concurrent partnerships in both entities will also be permitted. All this will be subject to the approval of the Attorney-General who must be satisfied that such arrangements do not present conflict situations or other regulatory concerns. Appropriate restrictions will be placed by the AG on FLA firms, for instance, against acting on opposite sides of a file.

11. FLPs based here may be part of a global law firm headquartered elsewhere. As such global firms use a variety of structures¹¹, we will allow SLPs to structure concurrent partnerships and profit and equity sharing with the FLP based in Singapore as described in the preceding paragraph, and/or also with overseas offices of the global partnership.

⁹ Appropriate amendments will be made to the Legal Profession (International Services) Rules 2008, the Legal Profession (Professional Conduct) Rules, the Legal Profession (Law Corporation) Rules and the Legal Profession (Limited Liability Law Partnership) Rules 2006, to allow a lawyer working in an overseas FLP to concurrently be a partner of a SLP and a partner of the overseas FLP.

¹⁰ Appropriate amendments will be made to the Legal Profession (International Services) Rules 2008, the Legal Profession (Professional Conduct) Rules, the Legal Profession (Law Corporation) Rules and the Legal Profession (Limited Liability Law Partnership) Rules 2006, to allow a lawyer working in a SLP to concurrently be a partner of the SLP and a partner of an FLP.

¹¹ Some global firms operate out of a global partnership with all partners paid from their home jurisdiction, some have structured their operations in Singapore with local partnership structure, and others have partners operating out of a third jurisdiction.

12. SLPs and FLPs that wish to form such tie-ups may apply to the Attorney-General. In addition to the present conditions listed at Rule 8 of the LPIS Rules, the minimum criteria listed at paragraph 4 will apply to the SLP constituents of all FLAs. Depending on business plans submitted, other FLA licence conditions may additionally apply to regulate various aspects of the partnership.

JLVs

13. For SLPs and FLPs that wish to form a JLV, from the operational date these changes are put into place, the minimum criteria at paragraph 4 will be imposed on the SLP constituent as part of the JLV licence condition. Rule 5(7) of the Legal Profession (International Services) Rules 2008 which mandates that sharing between the constituent SLP and constituent FLP be only allowed in permitted areas of legal practice up to 49%, will apply in tandem with paragraph 4(g). Concurrent partnerships between the constituent FLP and constituent SLP of the JLV will now be permitted.

14. The enhancements to the FLA and JLV frameworks are to assist SLPs who have made recent requests to be allowed to position more strongly in a swiftly evolving international legal services market. The regulatory framework review chaired by the Attorney-General will put in place a definitive structure to regulate such tie-ups.

(4) QFLPs

15. QFLPs, which under the current policy are not permitted to form FLAs or JLVs¹², may now apply to the Attorney-General to do so, and retain their QFLP licence. Their SLP partners will be required to meet the minimum criteria at paragraph 4.

(5) Greater flexibility for SLPs to employ corporate structures

16. SLPs, whether structured as sole-proprietorships, partnerships, limited liability partnerships or law corporations, will be allowed to set up a related law corporation (LLC). This will allow SLPs which are partnership-based to enjoy various incentives, including tax incentives, available only to companies.

¹² For QFLPs which are given approval to enter into JLVs, the more generous FL : SL QFLP ratio (where a QFLP may employ up to 4 SLs for every FL employed) will apply. The FL partner/director : SL partner/director ratios in Rule 4(2)(f) and Rule 4(2)(g) Legal Profession (International Services) Rules 2008 will not apply. The modifications allowed for FLPs highlighted at paragraph 13 are also relevant. All other conditions in Rule 4 of the Legal Profession (International Services) Rules 2008 will apply.

17. In addition, SLs will be able to hold executive appointments in companies set up by the SLP for related activities.¹³

Conclusion

18. A further announcement, with relevant details, will be made prior to the changes taking effect, in the second quarter of the year. Law firms which have interest in the changes may contact the Ministry of Law.

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¹³ For instance, where the SLP wishes to establish a company to offer patent agent and other IP related services.