

Salans: Economic downturn will lead to consolidation of law firms

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Oleg Batyuk is the Managing Partner of the Kyiv practice of Salans, an International law firm. Batyuk is also the founder of the Salans Kyiv practice. He has experience in negotiation and advising on complex international and internal transactions, joint ventures, privatization and related issues in Ukraine, Belarus and Moldova.

In 1992, he graduated from the Centre for Commercial Law Studies, Queen Mary and Westfield College, University of London.

KP: How will the ongoing economic crisis affect Ukraine's legal market?

OB: The main trend that began sometime ago but will become more visible during the crisis is consolidation. Domestic firms, small- and medium-sized, will consolidate in order to survive in these difficult economic times. Later we will observe international firms acquire local firms. The international players are better positioned for long-term economic survival.

The focus of legal work will also change. The capital markets in Ukraine are in a very difficult position. There is very little work related to them. Those firms that have been very exposed to this practice area do not have much to do now.

The firms that had a lot of work with Russian developers are another good example. Many have cancelled their Ukrainian projects.

→ **Difficult times like these force law firms to work even harder to keep their clients happy, Salans' founding partner in Kyiv said.**

KP: Does this mean that small firms, so-called niche players, will be in trouble?

OB: I think that law firms will develop new practice areas. In an economic downturn, litigations, arbitration, and bankruptcy become more important than they are in stable economic times. In a crisis like this, contracts are broken or performed improperly. Borrowers default and shareholders demand to be cashed out. Some companies even have to go through bankruptcy procedures. So, in times of financial difficulties, other areas are in higher demand.

The legal business has never been easy. Difficult times like these force firms to work even harder to keep their clients happy.

KP: Salans has offices in Russia. What are the differences between the two markets?

OB: Yes, we have offices in Moscow and St. Petersburg. Russia has a much bigger economy and has the third

highest foreign currency reserves in the world. But when energy prices go down, shares go down as well. Generally, wealth is diminishing.

In terms of the legal profession, Russia is awash with international law firms. All the major European and American firms are represented in Russia.

The Ukrainian economy is, of course, much smaller. As a result, there is not as many international firms present here. So our legal market is much more cost sensitive.

KP: What are the main challenges lawyers encounter when practicing law in Ukraine?

OB: The main challenge is the weak court system. In Russia the administrative structure is much stronger. It has very strong federal and local government systems.

The weakness of the Ukrainian court system is a real problem. The laws are opaque. The tax law is riddled with

loopholes. Despite the recent adoption of the joint stock company law, corporate law still has a number of unresolved issues that pose problems.

KP: What are the main gaps in Ukraine's legislation system?

OB: There are many inconsistencies. And the courts should be there to interpret and enforce the law effectively, but I do not think that is happening.

Many of the laws contradict each other. It is a real problem. One law says one thing. Another law says something different. What we need is a clear set of principles to deal with these inconsistencies so lawyers and judges do not have to argue but can follow the law.

KP: What kind of legal services are most in demand in Ukraine today?

OB: Six months ago, I would have said mergers and acquisitions, banking and initial public offerings were very much in demand.

Now, the areas most in demand are commercial real estate and infrastructure development, highway construction, road, water supply systems and the like – all driven by the Euro 2012 [soccer tournament].

I personally expect more work in private equities, because private equity funds are now looking to come back to Ukraine. Because of the financial difficulties internationally and in Ukraine, local businesses now are looking for financing. There will be a surge in equity investments in Ukrainian businesses.

I think that international firms



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will restructure themselves in light of the economic downturn, and look to expand into other areas like tax restructuring, litigation, arbitration and bankruptcy.

KP: Is the number of domestic clients on the rise?

OB: We came to Ukraine 16 years ago on the strength of our international clientele. Now our clientele is probably 70 percent international and 30 percent domestic.

KP: Do you think the new joint stock law will make a difference in clearing up shareholder conflicts?

OB: I think it's a good law. It's a good piece of legislation. It introduces a number of important ideas that exist internationally, in Russia, but did not exist in Ukrainian law, such as control shareholding and significant shareholding. But the bigger point here is the same as I mentioned before. Legislation does not exist in a vacuum. It should be [objectively] applied and interpreted by lawyers and, most importantly, by judges.