

Hong Kong Legal Private Practice Survey & Guide 2016



INTRODUCTION

Aquis Search is delighted to present our annual legal salary survey for Hong Kong 2015-2016. Our aim in producing this survey is to provide guidance to clients and candidates on current compensation levels post year end reviews and predict how the market will shape up over the next six months. Our information has been researched and collated with the help of our clients and candidates and from our knowledge of the marketplace. As with all surveys, we represent the mainstream view and there will be individual situations that fall outside the data published here so please use this survey as a guide and do not hesitate to call for further clarification on the compensation trends in the market.

TRENDS

Hong Kong's legal private practice hiring activity remained favourably stable throughout 2015 despite a fiercely competitive environment. The enticement of Hong Kong's position as a gateway to the Chinese legal market attracted a number of high profile mergers between international and local Chinese law firms – a trend that has become increasingly common since the mega-merger between an Australian "Big Six" firm and a prestigious PRC corporate firm back in 2012. The popularity of merging with a Chinese counterpart continued this year; most notably with the announcement of a US firm tie-up with a top tier Chinese firm and a leading Australian firm. However, the pursuit of China left a handful of law firms struggling to maintain the competitive edge amongst a saturated market and intensified aggressive poaching behaviour from rival players which ultimately led to several well-known US firms pulling out from Hong Kong altogether. We anticipate law firms to respond cautiously to the increasingly challenging landscape by reassessing, and possibly restructuring, their business operations in Hong Kong in the coming year.

The first half of the year saw a steady uptick in hiring demands for corporate finance lawyers as the Hong Kong IPO market significantly improved. Towards the second half of the year, corporate hiring shifted towards other transactional areas which were predominantly influenced by China's activity; we received more instructions from our clients for Chinese-speaking lawyers within the M&A and private equity practice areas. The preference for Hong Kong qualified corporate

lawyers with trilingual skills remained a prevalent demand, but due to the shortage in local supply, our clients remained interested in overseas lawyers, particularly those from the UK and Australian jurisdictions.

Litigation remained a buoyant market, with a salient interest in FSR and FCPA lawyers. We noticed many Hong Kong litigation practices playing a more significant role in supporting FCPA work in the PRC which has generated a number of instructions for US qualified FCPA/Investigations litigators. We expect this to be an ongoing trend as China continues its efforts to tighten anti-corruption and regulatory laws.

CORPORATE/CAPITAL MARKETS

China's outbound investment remained a major driver for M&A instructions and as closer integration between the SAR territory and the Mainland continues, we also noticed a boom in private equity activity in Hong Kong. IPOs remained busy and we continue to be instructed on diverse corporate roles requiring lawyers to undertake a combination of corporate M&A and IPO work, with an increasing appetite for lawyers who also have experience in dealing with regulatory bodies such as the SFC. UK and US firms continue to vie for the best talent in the ever-precious corporate space which means that there is little flexibility on the requirement for trilingual Hong Kong qualified lawyers with international law firm training.

US SECURITIES

Hiring across the US Securities market has been stable albeit less active compared to other practice areas. We noticed many US and UK firms diversifying their US corporate lawyers to shift away from pure capital markets work and focusing on a broader mix of US M&A and securities. The requirement for Chinese language skills has also subsequently been relaxed within this practice.

LITIGATION

The litigation space remained steady and requirements were generally limited to the demand for Hong Kong qualified lawyers with strong Chinese language skills and a background in finance and/or commercial litigation. White collar crime

and FCPA Investigations remained of particular interest to many US law firms with a China presence; a reflection of the Mainland's commitment towards a more regulated financial services market and more stringent approach towards anti-bribery. Restructuring and insolvency litigation has also been of interest to several of the international firms and we expect this interest to increase in 2016 as a response to the projected slow-down of China's economy, although a shortage of skill set in this niche area may see law firms opting to relocate lawyers from other jurisdictions.

BANKING

Banking and finance stayed relatively busy throughout the year, with an increasing number of law firms seeking lawyers with more specific skills, for example, a number of elite US firms are now focusing purely on leverage finance work. Niche financing skills, including project finance, real estate finance and asset finance, remains a difficult hiring space due to the small pool of talent available thus there has been a degree of flexibility from law firms to retool a more generalist finance lawyer. We also saw steady activity within the derivatives and structured products market, although these candidates were equally sought after by in-house investment banks.

FUNDS

Hong Kong plays a significant role as a gateway to China's funds market and has continued to be a busy area of hiring for law firms despite a shortage of skill sets and the competition it faces against in-house and offshore demands. Many firms have resorted to relocating funds lawyers sourced from overseas or retooling mid to junior level corporate and finance lawyers into funds lawyers. Mandarin language skills remain important for firms, but the lack of skill sets in this particular market means that many law firms have been willing to relax on language requirement and we expect this to be a continuing trend in the next year.

OTHER PREVALENT AREAS

We have generally seen moderate hiring activity across the employment, TMT, IP, real estate, shipping, aviation and construction practices. Law firms hiring in these spaces have typically required mid to senior level lawyers competent

in offering both contentious and non-contentious sector – specific advisory work for clients. As with other niche areas of practice, a shortage in talent has meant that law firms are more willing to look outside of the Hong Kong market for suitable candidates but Chinese language skills remain important within these industries and we anticipate this trend to continue.

NEWLY QUALIFIED MARKET

We reported last year a reasonably buoyant market for new qualified lawyers. However this year we saw a significantly more competitive market which proved difficult for many NQs to move laterally. Law firms appeared to be sporadic in their interest at NQ level and we noticed that, where NQs were actively interviewing, hiring decisions appeared to be cut short abruptly causing much anxiety amongst candidates. The lack of lateral hiring activity at this level meant that candidates were forced to deviate from their preferred practice area or opt to join a smaller, lower-tier firm.

OFFSHORE FIRMS

We noticed an uptick in offshore activity, particularly for corporate and funds work across all the major offshore firms in Hong Kong. Offshore salaries remained highly competitive compared to their onshore counterparts, and many have been able to successfully attract the interest of Magic Circle candidates.

PSL ROLES

PSL activity was marked notably by a shift towards a legal function that covered multiple practice areas which has made candidates slightly more cautious about considering themselves for such an undertaking. Nevertheless, PSL roles remained of interest to experienced candidates seeking greater working flexibility, more stable hours and no time recording pressures.



ASSOCIATE LEVEL COMPENSATION

Firms on average increased salaries amongst associates by approximately 5% across the board, although the percentage increment tends to be higher at the lower PQE range. A select few US law firms in Hong Kong continue to pay NY rates plus COLA to their Hong Kong qualified lawyers. For some US firms, COLA continues to be very discretionary and is often assessed on a case by case basis contingent on a candidate's particular background/ circumstances. Due to internal parity within law firms, COLA often does remain quite cloak and dagger but it is very much our view that it is and will continue to be a key part of the compensation structure for law firms in Hong Kong and this was most notably evidenced by the recent decision of a US firm to amend its existing compensation structure to offer COLA to all associates beyond a certain PQE level. In terms of base salary, US law firms continue to adhere to their standard lockstep as associates matriculate into their next year. We have however seen a slight shift by some firms towards a more merit based approach whereby they assess a candidate's experience and take a view on class of year admission based on this and in some instances, we have seen candidate's class of year admission being discounted. Bonuses continue to be competitive and for US associates who have met billable hours targets, bonuses tend to start around US\$15,000 for juniors and move up to 50,000 for mid-level associates and going up to 80,000 plus for senior levels. For UK firms, we are finding that lawyers are typically in receipt of a bonus ranging from one to three months, contingent on individual performance and overall performance of that practice area within the firm.

UK Firms

| Level | Monthly salary (HK\$) | Average Monthly Salary (HK\$) |
|-----------------|-----------------------|-------------------------------|
| Newly Qualified | 70,000 – 78,000 | 74,000 |
| 1 year | 75,000 – 85,000 | 80,000 |
| 2 years | 83,000 – 95,000 | 89,000 |
| 3 years | 88,000 – 98,000 | 98,000 |
| 4 years | 90,000 – 110,000 | 100,000 |
| 5 years | 97,000 – 120,000 | 109,000 |
| 6 years | 107,000 – 128,000 | 118,000 |
| 7 years | 115,000 – 135,000 | 125,000 |
| 8 years | 120,000 – 155,000 | 138,000 |

US Firms

| Level | Annual salary (US\$) |
|-------|----------------------|
| 1st | 160,000 |
| 2nd | 170,000 |
| 3rd | 185,000 |
| 4th | 210,000 |
| 5th | 230,000 |
| 6th | 250,000 |
| 7th | 270,000 |
| 8th | 280,000 |

PARTNER HIRING

We noted significant partner mobility within the Hong Kong market with some leading firms in Hong Kong haemorrhaging a substantial number of partners in an unduly short period of time. Many of the partner defections have been from UK firms to US firms where partners are enticed by a highly competitive remuneration package, smaller team and greater scope for independence. The moves have not been restricted to individual departures and we have witnessed some high profile team moves. Politics at managerial level have been cited as a cause with partners who are aligned by dint of a merger are unable to work in harmony. We have seen partners exit Asia altogether to return to the UK or US because they feel that their careers prospects are restricted in a legal hub where Chinese language capability and local/ PRC clients are increasingly necessary. Most moves have been by established partners in the region with credible prospects of generating business in the short to medium term. Lateral senior associate to partner hires are exceptionally rare although by way of compromise, of counsel lateral promotions do occur. Partners



moving in-house has become more common and lawyers are released from the pressure of constantly generating business in a law firm in an uncertain economic forecast in favour of a highly paid, dynamic role often with a global reach. Given the nature of the legal services market within Hong Kong, many of the moves have been within the corporate/ capital markets space although law firms are becoming more savvy and are seeing the pitfalls of competing within this saturated space and are targeting their energies in developing more niche but promising practice areas such as leverage finance, aviation finance, restructuring and investment funds. Litigation practices by their very nature tend to be less portable but we are seeing an uptick within this space and we anticipate that this will translate at partner hiring level. At the time of penning this survey, the full impact of these moves remains to be seen. Many of the exiting partners are on garden leave, are negotiating their exit or are at the early stages of their move and settling into a new firm. Equally the firms suffering these

departures are considering how to mitigate their losses with urgent succession planning. Instability at partner level will often cause disruption at associate level and we look forward to closely monitoring this period of change in the Hong Kong market and updating you on trends.

OUTLOOK

The outlook for 2016 remains favourable based on the work flow as predicted by our clients and consequently, the increase on mandates we have received. China's growing integration with Hong Kong means that the market will remain busy for the better part of the year amidst a slowing economy. We look forward to updating you further later in the year. Please do feel free to contact one of our consultants listed below for a more detailed confidential discussion on the market.



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Miriam is a Director in the Private Practice Legal team, based in Hong Kong.

Her role covers all areas of practice for lawyers at entry and senior levels, placing them in leading law firms across the Asia Pacific region. She has experience working with key decision makers including Partners and Human Resources professionals. She has an in-depth working knowledge of the Greater China market that has led to a great deal of success working with leading US firms in the region.

Miriam has extensive market knowledge and has also worked as part of the In-House Legal team. Prior to recruitment Miriam worked in a Marketing role coordinating business related events for educational and non-profit programs and campaigns.

Miriam has a Bachelor's degree in Psychology & Sociology from the University of Toronto and a Law degree from the Manchester Metropolitan University. She is fluent in English, Cantonese and Mandarin.



Ciaran Foy

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Ciaran is an Associate Director in the Legal Private Practice team, based in Hong Kong.

He responsible for the recruitment of Private Practice Lawyers across Asia with a focus on the major hubs in Hong Kong and Singapore. His remit ranges from newly qualified lawyers to partner level placements and he has had proven success in recruiting within various practice areas of major law firms.

Prior to joining Aquis Search, Ciaran worked as a qualified lawyer for five years at a top US law firm specialising in real estate transactions before joining a global London search firm. His background has afforded him a true understanding of the legal recruitment market and uniquely positions him to offer commercial, consultative advice to both clients and candidates alike.

Ciaran has a Bachelor's degree in Law with French from Queen's University, Belfast. He completed his legal practice course at Nottingham Law school and was admitted as a solicitor in 2006.

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Mischa is a Senior Consultant working as part of the Private Practice Legal team based in Hong Kong.

Mischa is responsible for the recruitment of lawyers at all levels, across all practice areas, into leading international law firms across the Asia Pacific region. She has solid experience working with key decision makers including Partners and Human Resources professionals. Her in-depth knowledge of the Asia legal market equips her to offer valuable advice on compensation and hiring trends.

Prior to joining the Private Practice team, she had a diverse portfolio, with responsibility for finding candidates in the Human Resources & corporate services space. Mischa worked across multiple industries including Commerce, Financial Services and Private Practice Law Firms and successfully placed candidates across all industries.

Prior to joining Aquis Search, Mischa was a Research Assistant for a food and beverage company in South Africa.

Mischa has a degree in Value & Policy Studies and a Masters degree in Decision Making and Knowledge Dynamics from the University of Stellenbosch, South Africa.

ABOUT AQUIS SEARCH

Aquis Search is a regional leader for Corporate Governance and Control functions recruitment covering roles in Finance, Human Resources & Corporate Services, Legal, Risk and Compliance. We operate from offices in Beijing, Hong Kong, Shanghai, Singapore and Mumbai handling search assignments in numerous Asian countries.

Our clients are members of a global network of prestigious financial institutions, leading UK & US law firms and many of the largest companies within the Fortune 500. Professional integrity is the key value on which our client relationships are built and the majority of our business is the result of personal referral. This is testament to the high level of professionalism for which we are known.

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