



UKRAINE

FOUNDERS AND HEIRS

A new generation of Ukrainian lawyers is freeing itself from the established legal houses, highlighting the ambitions and limitations of the market

BY KELLY PARSONS

IN a country more than familiar with revolutions, Ukraine's legal profession is being subjected to some upheavals of its own. Following a spate of law firm openings, a new generation of young ambitious lawyers is breaking away from the established international and independent practices of one of Europe's largest countries.

Over 70 independent and foreign corporate and commercial legal practices have offices in Kiev. Local newspaper *Kyiv Post* estimates that around a dozen new firms have entered a market already crowded with local players over the last 18 months.

The most notable of these were Avellum, the fruit of Baker & McKenzie's Kiev operation, Engarde, formerly part of local independent Asters, and Pavlenko & Poberezhnyuk (P&P) formed at the end of 2008 by a group from local leader Magisters.

For **Irina Paliashvili**, president and senior counsel at RULG, these developments are indicative of a growing generation gap between the country's legal pioneers and a new breed. Ms Paliashvili was working in a law firm in the USA when the Soviet Union collapsed and she returned to a newly-independent Ukraine to open a practice with two other partners in 1992. She says the situation today is very different. "The next generation of lawyers has worked in international firms or studied abroad and there are dozens of newly-formed firms because it is so easy to start one up. Graduates can simply get a website, call themselves partners and create a law firm very cheaply compared to established firms."

Oleg Makarov, partner at 65-lawyer, six-partner Vasil Kasil & Partners (VK&P), the first Ukrainian private law firm, founded in 1987, was a law student in his last year of college at the time of *perestroika*. Along with his law professor, he de-

BRIEFING

THE AMBIGUITY OF CHANGE

RECENT years have witnessed significant developments in Ukraine, although not all of the changes have headed in the right direction. Lawyers from Kiev say there is a distinct generational issue now facing their profession. The country's younger practitioners are increasingly challenging the former market pioneers and opting to set up shop on their own. However, with a proliferation of new firms led by inexperienced partners who, in some cases, have emerged with no previous experience at a law firm, there are strong doubts about the longevity (and quality) of some of these newcomers. Meanwhile, commentators have turned their attention to Ukraine's only genuinely international law firm, Magisters, hit by senior-level exits after the departure of its charismatic managing partner. ■

VIEWS FROM KIEV



“The lack of professional regulation encourages young lawyers to ignore the traditional route to becoming a lawyer, such as internships and learning through being an associate, and they can skip straight to becoming partners”

Irina Paliashvili, RULG



“The new generation wants changes, but the older guard is vehemently opposed to altering the rules because they fear losing influence. The future of the profession depends on it uniting and passing modern laws to regulate itself.”

Oleg Riabokon, ex-Magisters

cided to start one of the newly-allowed “law cooperatives”. His firm became among the most important on the market and has played a significant role in bringing through the next generation of Ukrainian lawyers. Five years ago his partner **Oleksiy Volkov** (now managing partner of Volkov Koziakov & Partners), left VK&P to set up on his own. “At the time, I predicted it was the beginning of a growing trend,” says Mr Makarov. He has been

proved right.

Three generations of lawyers now practise at VK&P. Along with professor Kisil, now 60, there are several partners in their 40s and a couple of younger partners in their 30s. The firm’s management is now taking care to prepare for the new generation, and intends to make up three to four partners in the following year or two. “We know from experience that if young lawyers aren’t given the opportunity to

grow within the firm they will leave, so it’s better to make money with them,” says Mr Makarov.

It’s an inclusive strategy that other firms would do well to follow, according to Engarde’s **Irina Nazarova**. She says her decision to set up alone was based on differing views about how to manage her former firm Asters across all areas, including finance, HR, marketing and corporate governance. “Asters had never offered litigation so it seemed like a good fit to join them, but we soon discovered our differing views,” she says. Another of Ukraine’s oldest firms, Asters was founded in 1995 as Shevchenko Didkovskiy & Partners, but re-branded in early 2008, when **Igor Shevchenko** quit legal practice to concentrate on civic and political activities.

The large independents have not been the only firms to suffer from the spin-off trend. Avellum broke away from the market’s largest international player, and once again differing views were at the root of their decision. Partner **Mykola Stetsenko** left Baker & McKenzie in July last year and was joined by former colleague **Glib Bondar** in February and another partner, **Kostiantyn Likarchuk**, who previously ran his own firm. Together they formed Avellum, which now has 11 lawyers and three partners. “We left because we had very different views on how the practice should develop, both internally and externally,” says Mr Stetsenko, Avellum’s current managing partner. “Before the crisis the firm had become a monster in the Ukrainian market with over 100 lawyers, but had to slash a third of the staff as a result of the downturn, and some of the lawyers cut were good people. The focus within the firm changed, and it seemed

as if the management weren't at all prepared for the crisis." The partners were also unhappy with the profit-sharing arrangements and focus on low-value work.

The new breed are, unsurprisingly, conscious not to make similar mistakes with their own practices. The partners of Avelum, for example, are planning to introduce a lockstep to make sure the problems they encountered in their previous firm don't repeat themselves.

Avoiding mistakes is one thing, but whether the new generation of Ukrainian practices can also emulate the success of their former mentors is an entirely different matter, agree market observers. "Young lawyers are trying to replicate the success of the founders of the established firms," says managing partner of Magisters **Andrew Mac**, "but it was far easier for a 23-year-old to build a firm in an untapped market in the early 1990s, when very few firms could boast any lawyers that spoke perfect English. Today that's a given."

Certainly the current economic circumstances could be more auspicious. VK&P's Oleg Makarov estimates that since the crisis the Ukrainian legal market has reduced in number by 25%, and in financial terms by around 40%. "International law firms were hit the hardest, losing around 60-70% of turnover and cutting staff by more than 50%," he claims.

Smaller, recently launched firms have lower overheads enabling them to charge out at lower rates than established players. But few of these new players have much, if any, experience of rainmaking in such a competitive market, something which could curb their growth.

DLA Piper Kiev managing

partner **Margarita Karpenko** says firms increasingly have to play hard ball to win mandates. "Price dumping has become a widespread practice and clients who happily paid hourly rates before the crisis have started to bargain and request fixed rates far more often. We are very grateful for being integrated in a global firm, with senior partners in Moscow for example, from whom I can learn and consult with." DLA Piper's 28-lawyer, four-partner Kiev office opened July 2005 with a small group of lawyers from Ernst & Young's legal arm.

Yet the harsher economic climate has in some ways provided more rather than less momentum to the spin-off trend. "The crisis prompted what would have happened anyway to Ukrainian law firms," says **Oleg Riabokon**, former managing partner of

Magisters and one of the country's best known legal figures. "It's one of the reasons why as managing partner of Magisters I took the firm international. I could see we would eventually hit a ceiling when the younger lawyers in the firm would be pushing up, but there would have been no space for them. When deal-flow decreased substantially firms couldn't afford to keep all of their highly-paid lawyers and the more senior partners had to roll up their sleeves and go back to work again, leaving some of those working below them redundant."

And for the market's more senior lawyers, the crisis has actually brought some much-needed normality to the market. "It was the boom times that were abnormal, when firms were dictating to and neglecting clients, and young lawyers didn't want to get



out of bed for just anyone,” says RULG’s Irina Paliashvili.

For the time being at least, that normality looks set to continue, says Clifford Chance Kiev managing partner **Jared Grubb**, who took over the UK magic circle firm’s office in May last year after it opened in October 2008. Legislative measures passed in December in the wake of the crisis are causing confusion for foreign lenders, says Mr Grubb,

as they might be interpreted as a moratorium on repayment of debt until January 2011. “Plus, the interest rate cap which was recently imposed by the government reinstated the 2008 levels, which were fine at that time, but since then margins for certain types of lending have increased considerably. When lenders have to factor in their additional costs for Ukrainian country risk the returns for lenders are not that

attractive.” Together, these factors are contributing to the continued freeze on foreign lending into the country. Should this continue, Mr Grubb expects it will lead to a second wave of restructurings and will also slow Ukraine’s emergence from the crisis. “Foreign banks need clear regulation consistently applied, and that is what Ukraine needs to focus on right now to realise its potential.”

HAS MAGISTERS LOST ITS MAGIC?

Instability follows the departure of high-profile managing partner

FOUNDED in 1997 by 23-year-old Oleg Riabokon and 27-year-old **Serhii Sviriba**, Magisters, has rapidly become recognised around the world as one of the CIS’s most ambitious players. It has ploughed a very different furrow to its pioneering Ukrainian counterparts and, after pursuing a ruthlessly international approach to growth, now has offices in Khazakistan, Belarus, Moscow and London.

But since Mr Riabokon’s departure from the helm at the end of last year to launch his political career, the firm has lost some of its previous shine, raising doubts over how it will bounce back after losing such an important figurehead and leader. “Oleg Riabokon was a visionary and his departure has definitely left questions,” says Avellum partner Mykola Stetsenko.

Doubts over the firm’s prospects post-Riabokon have been fuelled by the ensuing departure of several other partners in Kiev, including head of tax **Oleg Marchenko** and former partner in the real estate and construction practice **Volodymyr Baibarza**. Since then, significant investments made in its Russia operation have put the setback in Ukraine in greater relief, but the firm remains bullish and says it has made concerted efforts to shore up after the losses.

“We know that since Oleg left we are in the limelight, but in all firms the founding partner eventu-

ally moves on and we are no different,” says Kiev managing partner Andrew Mac. “I think it is often a case of sour grapes from other firms hoping that we are losing our position but if you look at our annual revenues they are over €20m. We are the only law firm in Ukraine to be listed among the TLI100 [*TopLegal International’s* ranking of the leading European independents by turnover, ed.]”

Magisters recently hired three new partners in Moscow, among them Russian PPP and corporate lawyer **Kirill Ratnikov**, formerly partner as CMS. Its latest acquisition in Kiev is **Ilona Zekely**, former managing partner of Schön-



Ilona Zekely