



## Introduction to commercial law departments

In this document, we will introduce you to 7 departments that corporate law firms often specialise in. These short summaries will be helpful to narrow down your interests, and develop a “big picture” understanding of what law firms do.

### Banking and Finance

The banking and finance department involves transactional, as opposed to a contentious, work. It is a rather large area so, it is typically split up into numerous subcategories. We cannot detail each one, but here are the key points.

The banking and finance department deals with the relationship between lenders and borrowers. The most common and everyday example of the work can be seen through mortgages for purchasing houses. Such mortgage agreements involve a sum of money being lent, in return for interest payments whilst being secured on the purchased property. This means that banks will have the right to possess the house if the borrower defaults. The banking and finance department is responsible for drawing up loan agreements between a myriad of borrowers and typically large banks. Such agreements are complex and involve things like detailing the rights of each party, the interest rate and payment schedule.

As mentioned previously however, the department has numerous sub-categories, and this depends on the purpose for which the money is used. For example, the Project Finance team often deals with the funding of large infrastructure projects. The Leveraged Finance team often deals with acquisition finance (when a company buys another company). Taking these two as an example, project finance work tends to be longer term and may involve public services and government contracts, whilst acquisition finance can be shorter terms with the client often being private equity firms; it is the lawyer’s role to understand the complexity and nuance of the matter at hand and advise accordingly.

There are many more subcategories and it is recommended to visit a large law firm’s website to see the breadth of areas/industries covered. Each area requires specialist knowledge but all of them, broadly, involve mediating the relationship between borrower and lender.

An important non-transactional aspect of the banking and finance department is also ensuring compliance with relevant financial legislation and rules. Whether this be UK regulations imposed by the FCA, or the SEC in the US the banking and finance department will have a team dedicated to ensuring compliance with complex and constantly changing financial regulation.

## Corporate/Mergers and Acquisitions (M&A)

The Corporate department is another large transactional department with numerous sub-categories.

Corporate lawyers can work on a large number of issues and are generally the first port of call for a client on a transactional matter. The work can be from any point in the life cycle of a company. For example, it can include advising on how to set up a company in the first instance. This would involve drafting the articles of incorporation which is not only necessary to create the company but also detail how the business decisions are to be made by the directors. It can also involve restructuring a business when in difficulty, and also dissolving a company if needed.

Whilst the role of a corporate lawyer can be understood more as a “generalist” advising on many types of issues, there are more specialised sub-departments. A corporate lawyer may work with an employment specialist, for example, to draft an important employment agreement or non-compete agreement.

One of the more notable sub-departments is the M&A department. As the name suggests, these lawyers specialise in advising on mergers and acquisitions. M&A lawyers play a central role in evaluating a proposed venture. In making such evaluations they are responsible for understanding the target company’s key assets and liabilities; this is called due diligence. Furthermore, M&A lawyers are responsible for drawing up key documents such as a Share Purchase Agreement (used when a company acquires another). These documents are large, complex and outline the rights and responsibilities of each party involved in the transaction.

It is vital to notice that the Corporate department is often one that works with other departments to advise clients. You may notice, for example, that the Banking and Finance department are also involved in M&A projects – however each department plays a separate but important role. Whilst the Banking team mediates the relationship between a lender bank and Company A, the M&A team works on the relationship between Company A and its target, Company B.

## Litigation/Dispute Resolution

The litigation department works on contentious, as opposed to transactional, issues. This means this department deals with disputes and claims which arise in relation to the client, as opposed to advising on a given transaction. These issues may arise out of alleged non-compliance with regulation (for example competition regulation), employment issues, tortious claims etc.

The litigation department is involved in pre-trial investigation and negotiation, the trial stage as well as any appeals process. The issues that arise are broad and may require specialist knowledge. This means that litigators often work with other, more specialised, departments to understand the nuance of an issue. Trials are expensive, time consuming and uncertain and so litigators are generally looking for the most appropriate settlement for the client or utilise the process of arbitration.

A given issue, in this department, may span many months and years which is in stark contrast to the fast-paced work found in transactional seats. Litigators have strong research skills enabling them to understand the relevant points of law and evaluate the client's position effectively.

## Competition

Competition lawyers advise clients in order to ensure compliance with competition rules. For example, the Competition Markets Authority (CMA) is the UK regulator which is responsible for ensuring fair business practices. Competition rules vary in other geographic areas such as the US and the EU.

Aside from ensuring general and up-to-date compliance with competition law, competition lawyers often work with other departments to negotiate the clearance of acquisitions, mergers, and joint ventures. For example if a client wishes to purchase a company to grow their market share, competition lawyers must evaluate the viability of the proposed deal in light of any competition issues and prepare a strategy to rebut any challenge from the authorities. This means taking a proactive role in working not only with the client, but also with the authority themselves to structure a deal in a way which is profitable and conforms with competition law.

## Restructuring and Insolvency

The restructuring and insolvency department comes into play when a company is undergoing financial difficulty. There are two main stakeholders in such situations – the debtor and the creditors. Law firms represent both these types of stakeholders and the advice given varies depending on who your client is.

If advising a debtor, restructuring lawyers will look to essentially reorganise the company's balance sheet by looking at its assets and debts; this is done to avoid becoming insolvent. Insolvency lawyer's takeover if a company has to declare insolvency. This process involves

helping a client through the administration process as well as guiding clients through the liquidation stage where the debtor's assets are taken to pay its creditors.

If advising a creditor, the lawyer's role is to advise on the client's rights (and the strength of them) against the debtor. Lawyers also take an active role in negotiations with debtors and insolvency officeholders. The purpose of these negotiations is to ensure that the creditor's rights against the debtor are fully protected.

## Capital Markets

The term capital markets is used to refer to financial markets where equity and debt securities are traded. Capital markets lawyers work on transactions which involve the issuance of such securities.

Looking first at equity capital markets, the most noteworthy work done by lawyers are initial public offerings (IPO). An IPO is a landmark event for any company and capital markets have many roles to play. Capital markets lawyers are involved in the process at an early stage, often several months before the IPO, to ensure that the company is ready for such a huge shift in the way a company is run. This means establishing a board of directors, drafting due diligence reports and drafting and verifying the accuracy of the prospectus. In addition, a company "going public" requires compliance with certain regulations imposed by the stock market in question (for example the London Stock Exchange), and capital markets lawyers are responsible for ensuring this.

Debt capital markets relate to transactions involving tradable securities such as bonds and derivatives. Capital markets lawyers, again, not only evaluate the profitability of the transaction for their client but also ensure compliance with regulations; this is particularly important since the regulations in this area of law are very complex and constantly changing.

Please note that further information on IPOs, bonds and derivatives can be found in "Financing 101".

## Pro Bono

Aside from the fee-earning departments, pro bono is a huge part of a city law firm. Pro bono refers to the provision of legal services free of charge. It is an essential part of firms' corporate social responsibility and firms encourage all lawyers to participate in such work. Reflecting the importance of corporate social responsibility, pro bono work counts towards your billable hours.

The work can vary significantly ranging from human rights protection for asylum seekers, to the protection of sexual and reproductive health rights for women. The nature of the work means that there is usually more client-contact even at trainee level. The type as well as quantity of pro bono work that a lawyer is involved in is largely dependent on the individual themselves, and so pro bono work can be viewed as an arena where lawyers can make a tangible positive impact on areas that they are genuinely passionate about.