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Attorneys

## Reduction of risks is vital

LAW firms have been forced to become proactive in reducing risks in the wake of the increased scrutiny of professional service providers.

Chris Christodoulou, head of Odyssey Corporate Legal Advisers, says that while clients are being advised on various aspects of the King 2 report, as well as on the Financial Advisory and Intermediary Services Act and the Financial Intelligence Centre Act, the question is whether law firms and advisers are themselves ready to cope with these same risks.

Christodoulou says SA lawyers and corporate law advisers would best be advised to conduct an internal risk assessment of their own business.

"An exhaustive strategic risk management review and continuity plan, together with sound business planning, will identify the areas of risk facing law advisers in line with the recommendations of King 2."

Christodoulou says specific risks for law advisers to take into account include: partners engaging in insider trading; IT systems and resources; human resources risk, including human capital attraction; retaining key personnel and succession planning; loss of client confidence in the face of greater disclosure obligations to the regulators; reputation risk; and, negligence claims.

He says a risk manage-

ment plan together with the appointment of a dedicated risk and compliance manager will go a long way to exposing business risks and will lay down the fundamentals required to minimise these.

It is vital that a coherent implementation plan is also devised, he says.

A further trend is the importance of intellectual property protection.

Many businessmen are under the mistaken impression that copyright and trade marks are only applicable to the more creative, such as authors and inventors, says Steven Ferguson, of Nicci Ferguson.

However, knowledge and ideas have replaced capital as crucial business assets and should be afforded the same level of protection, he says.

In light of the rapid changes, the legal needs of corporate clients are now far more sophisticated and complex, he says.

This also has potential implications for a legal profession that is already suffering from increasing overheads, price competition and constraints on their billable hours.

Large firms have responded by developing departments and by mergers, he says.

"Smaller clients are successfully competing with larger competitors through the use of technology and knowledge-based networks. We should do the same."