

Embracing innovation to manage disruptions to the legal profession

Law & Courts: The Future of Lawyering
– New Models of legal practice

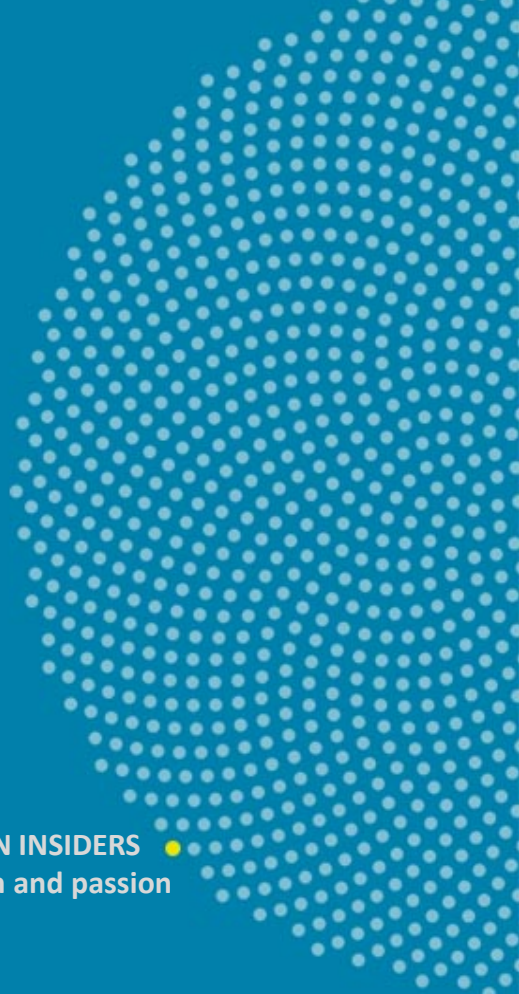
Chew Seng Kok

Managing Director | ZICO HOLDINGS INC.

Chairman | ZICO Law Network

8 November 2016

ASEAN INSIDERS ●
by origin and passion



Disruptions to services (incl. legal profession) in the sharing economy”

● An age of unprecedented disruption

- “... megatrends — disruptive global forces that have far-reaching, interrelated consequences for business, economies, industries, societies and individuals.... “
- “... acceleration of digital capabilities is a leading disrupter — fueled by the convergence of social, mobile, cloud, big data, artificial intelligence and growing demand for “anytime-anywhere” access to information. Others include shifting global demographics; entrepreneurship and innovation, which are rapidly shrinking the gulf between mature and developing economies; and the migration of the economic centers of gravity from West to East and North to South...”

*Uschi Schreiber, EY’s global vice chair for markets
in Knowledge @ Wharton, 5 Nov 2016*

● **Technology is a key driver of the sharing economy**

Increasing penetration of internet & smartphones

Development of technology platforms for smooth and quick service delivery

Falling barriers of entry due to digitization

Quicker transmission of information resulting in greater transparency for transactions

Spread of the “sharing” economy - a catalyst which fuels client demand by creating choice and increasing efficiency



The sharing economy

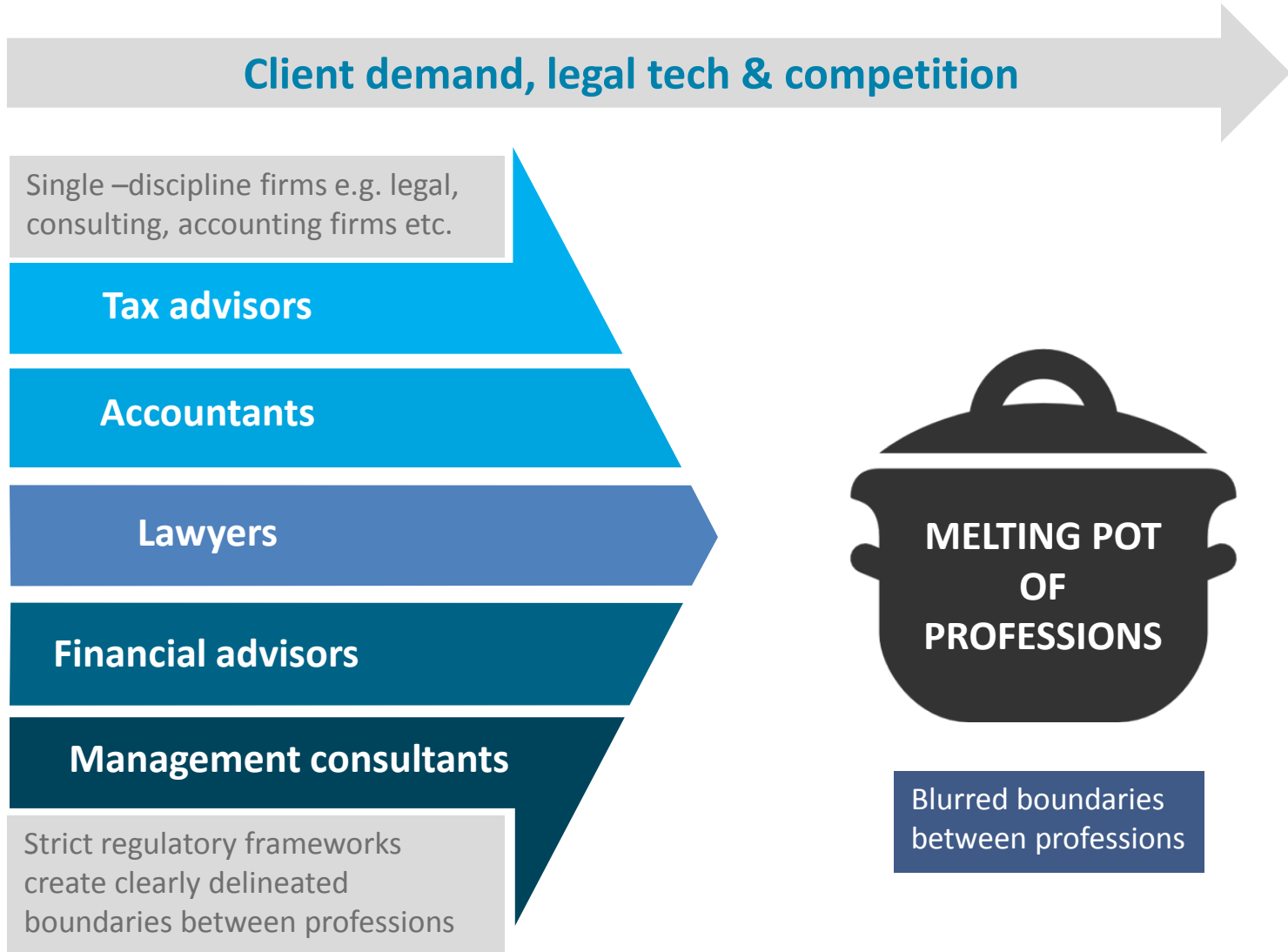
- **matches** supply and demand instantly
- **creates** supply and demand by attracting **new service providers** to enter into an industry & cater for **unmet demand**

Efficiency

Choice

The sharing economy provides **access** to a variety of services **at competitive prices** from both **new and existing service providers**

Disruptions to legal profession



● 5 forces driving legal service markets



Hyper-competition

Changes in industry structure and proliferation in number & type of legal services providers, intensifying supply-side competition

De-regulation

Progressively reduce, even remove, restrictions on almost all aspects of the ownership of providers and means for delivery of legal services.

Client transformation

The speed and intensity with which clients transform to meet their legal needs will occur more rapidly than most anticipate.

Exponential technology

The impact of technology as a substitute, not just a complement, for lawyers' services will be more dramatic than most predict.

BigLaw firm inertia

Likely to be slow to adapt change management and innovation needed to maintain profitability.

Source: George Beaton, 'why BigLaw firms must start remaking now' (April 24, 2016)

● The “more for less” phenomenon



Chief legal officers are pressured to increase efficiency and cut cost, leading to the “more for less” phenomenon.

Efficiency efforts

- **9 out of 10** CLOs have pursued improvements in the efficiency of their department’s delivery of legal services in the last 12 months
- **44%** of law departments are collecting and analyzing management metrics to measure and maximise performance and efficiency

Cost control

- **57%** of law departments cite new efficiency of internal procedures as one of the top ways to cut costs
- **34%** are shifting work from in-house lawyers to department paralegals and other paraprofessionals
- **25%** use contract lawyers
- **15%** outsource to non-law firm vendors

● Threats to revenue of law firms



Loss of revenue or “leakage” through the following:

68%

Corporate law departments that are **in-sourcing** more legal work

21%

Clients’ use of **technology tools** that reduce the need for lawyers and paralegals

19%

non-law firm providers of legal and quasi-legal services

● Law firms use technology to generate cost efficiencies



Greater focus on improving

technology
& **Business processes**

Business support priorities in 2016



94%

Improve the use of technology



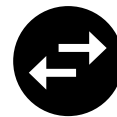
88%

Standardise business processes and ways of working



50%

Increase level of business partnering support



17%

Reduce level of transaction processing activity



17%

Reduce cost



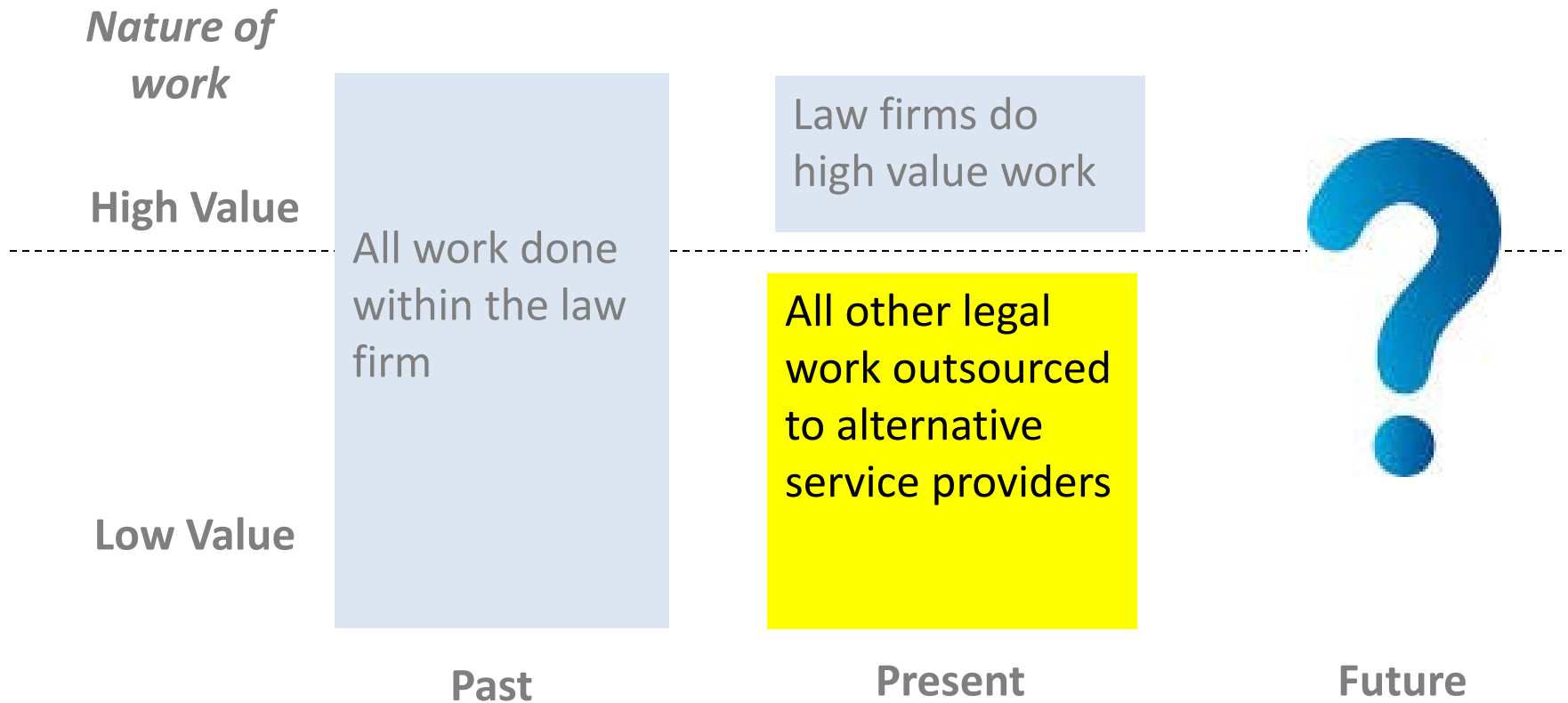
15%

Centralise or share resources

Source: PwC Law Firms Survey 2015

● The rise of alternative service providers

What we once called “law firm jobs” increasingly are being provided by Axiom and United Lex, companies which supplant large full-service firms as the primary provider of entry-level lawyer experience.



- Major legal provider who is not a law firm

Forget everything
you thought
you knew about
legal services.

WHAT WE DO ▶

axiom
● law redefined

“Axiom is now one of the largest providers of legal services in the country, and boasts over half the Fortune 100 clients.”

BigLaw: alternative business models are necessary to protect market share



The traditional law firm model is under pressure and you have to decide whether you stick with a diminishing market for pure premium work or accept that, to win a greater share of the premium work, you have to combine it with alternative delivery models.

– Wim Dejonghe, managing partner at A&O (Oct 9, 2014)

[Teaming up with LoD] allows us to work in a way that is good for our clients and for our workforce and enables DLA Piper to achieve a level of profitability that we need in order to continue to compete in the marketplace.

– Simon Levine, DLA piper co-chief executive (Nov 11, 2015)

● “Alternative delivery services” by Magic Circle firms

Delivery models	Allen & Overy	Clifford Chance	Linklaters	Freshfields	Slaughter & May
Low-cost hub	√	√	√	√	X
Document review services	√	√	√	X	√
Online legal services	√	√	√	√	X
Contract lawyers	√ (branded as Peerpoint)	√ (not separately branded)	√ (not separately branded)	√ (branded as Freshfields Continuum)	X
Artificial Intelligence	√	√	√	√	√

Source: Team analysis



Disaggregation of legal services by clients

Types of Legal Work

Frequency

Complex
Advisory/
Litigation

M&A, joint ventures, complex licensing, compliance reviews, enterprise sales transactions, managing large class actions, and regulatory response.

Low

General advisory

General legal advice relating to defined areas of law and scope of service.

Medium

Commoditised/administrative-like
tasks

Routine and process-driven work, such as review of service contracts and letters.

High

● “New Normal” for legal services

- Increasingly sophisticated clients with more access to information – and who are demanding more transparency from firms
 - Forcing efficient unbundling and repackaging of services and a move toward “value” billing
- ... new competitors, from LPOs to multidisciplinary PSFs offering integrated services at the intersection of law, finance, strategy, and project management
- ... pressures on historic law firm business model of rate increases, leverage, and “bespoke” work
- ... pressure on GCs to source work efficiently and effectively to solve problems – cyber security/data privacy, anti-bribery and corruption, safety and catastrophic risk – made more complex by globalization, technology, and boundary blurring.”

Professor David Wilkins

@ FT-RFG Innovative Lawyer Summit, June 2016

● Traditional lawyer model under threat

“

“the competition that kills you, doesn't look like you.”

“Law firms tend to think it's a question of what the other law firms are doing – but they should also be looking at the accounting firms, at the legal tech start-ups, at the legal process outsourcers and legal publishers.”

“Even if law firms aren't prepared to change, new players in the market are absolutely happy to embody new ideas.”

Professor Richard Susskind
Lawyers Weekly, Australia, 9 May 2016

Innovate and differentiate - a new business model

The power of ZHI and ZICOlaw together



30 years
as Trusted Business Advisors

Our mission is to help our clients develop in ASEAN.
We are ASEAN insiders by origin and passion



Integrated
Multi Disciplinary
platform

A unique integrated services platform for an
innovative client service delivery



ASEAN focus

Presence in Brunei, Cambodia, Indonesia, Laos,
Myanmar, Malaysia, Philippines, Singapore, Thailand,
Vietnam



Regional Expertise
Local Groundings

Multi-jurisdictional teams in the region with local
knowledge and business insights on doing business in
the ASEAN region at local costs



Innovative Hybrid Business Model

Combination of corporate and partnership structures
for a faster and robust development



Innovative business model



Partnership Model

- Focus on core competence of practising law
- Maintain professional independence and autonomy
- Compliant with regulatory rules on law firms

Integration and cross-selling of services

Corporate Structure

- External capital to fund business expansion
- Incentivise performance and talent retention via share schemes
- Venture into new services
- Centralise management and support functions

● Analyst's view of ZICO business model



*“ZICO’s innovative business model which **gives it access to markets will provide the ammunition to pursue its acquisitions and allow it to expand faster than its competitors.....***

*The uniqueness of ZICO’s model is that it **combines a high-growth but highly-cyclical legal service income stream** with trust and corporate secretarial services, **a reliable source of revenue** that will help to buffer the ups and downs of the legal services segment*



UOB Kay Hian, Singapore
January 2015



Succinct analysis of ZICO Business Model



“ZICO has adopted an innovative business model to capitalise on developments in the Asean region. The ZICO Law Network, supported by ZICO Holdings, listed on SGX Catalist market, operates under a multi-disciplinary structure supported by a shared service company, which facilitates cross-selling of services. “Disruptions in the legal industry call for a flexible business model leveraging the benefits of BigLaw, NewLaw and NonLaw,” says Chew Seng Kok, chairman of ZICO Law. “This business model offers the best of all worlds, combining the strengths of the partnership model, a hallmark of Biglaw firms, with the flexibility of a corporate structure which is more suitable for NewLaw and NonLaw. This unique platform provides our clients with a dynamic range of integrated services in a more efficient and cost-effective manner, throughout the life cycle of their business.”

The new spectrum of legal services
Patrick Dransfield and David Miles
ASIAN-MENA COUNSEL, October 2016



Clients testimonials



Customized suite of services for Air Asia



ZICO Law has been an active counsel in aircraft finance and leasing transactions involving Air Asia for many years. In light of Air Asia's recent diverse strategic needs and notably to distinguish aircraft leasing from Air Asia's other businesses, the client engaged ZICO Corporate to provide incorporation and other secretarial services for establishment of a new company. ZICO Trust provided trustee services for these transactions. We also acted as the trust company for the Air Asia Foundation, the low-cost airline's philanthropic arm.



"ZICO has always managed to offer practical legal solutions to our commercial needs and ZICO's wide range of services offering adds significant value to their solutions. Having to deal with only one service provider certainly make our work much easier and faster."

– Tan Sri Tony Fernandes, CEO, Air Asia

Creation of an Islamic savings scheme for Employees Provident Fund



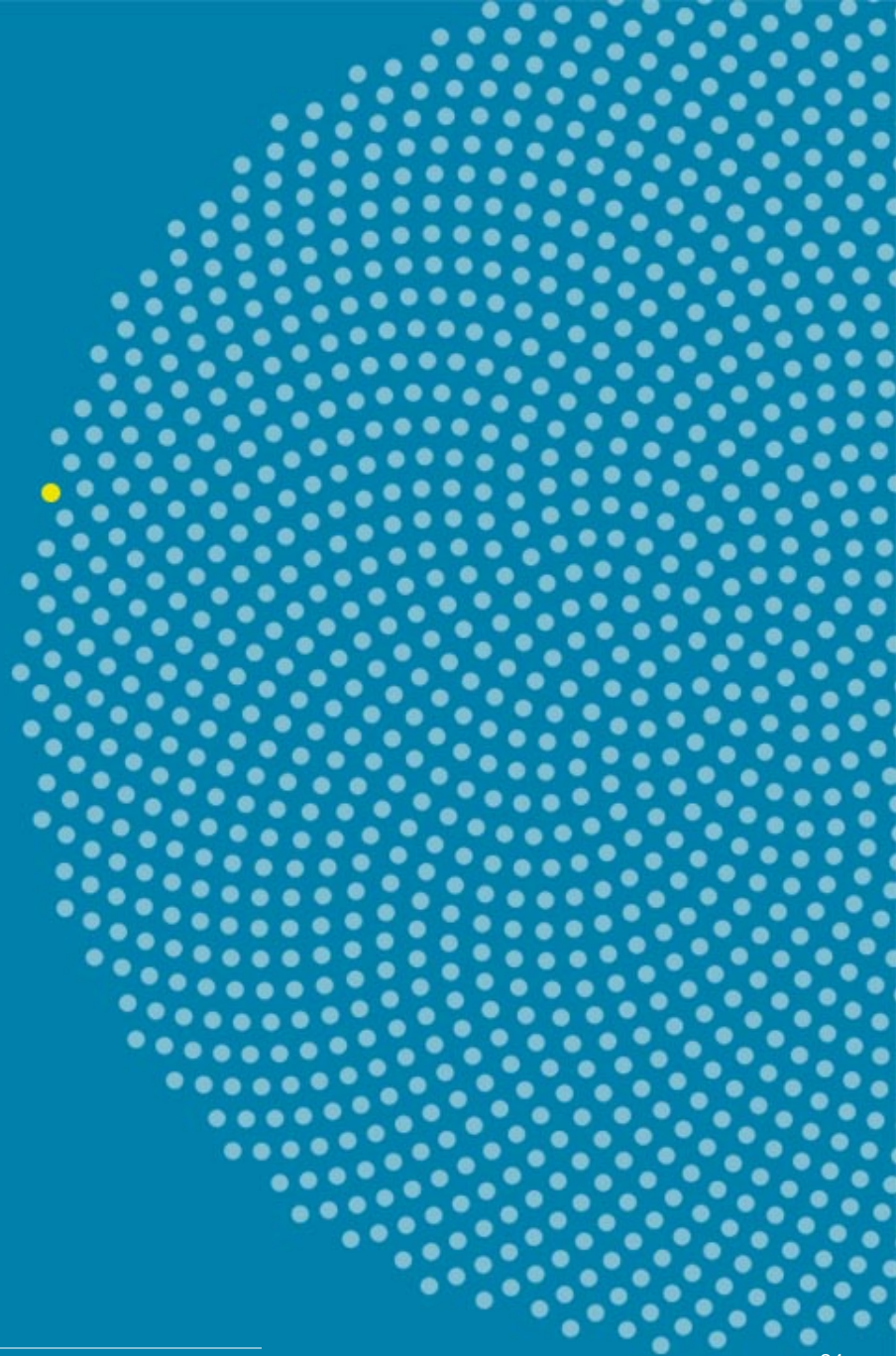
ZICO was mandated to assist in creating a savings scheme whereby funds are invested in a Shariah compliant manner. We provided consultancy services for structuring this product through our Shariah consultancy arm. The law firm advised on regulatory reform relating to amendments of existing laws.



"ZICO distinguishes itself by offering services beyond legal which are crucial for continuity and generates significant time savings across all stages of the project."

– Jaafar Rihan, General Manager
(Islamic Investment Development), EPF

ZICO Law





Background

- Network of leading independent local law firms
- Origin 1987
- 300 lawyers
- 8 countries
- 15 offices
- ASEAN focus
- www.zicolaw.com



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Awards 2016 & 2015



'Global First'

Financial Times, 2015



**Innovation
in the Business Law**



Malaysia



National Law Firm of the Year 2016



Deals of the Year 2016

Deal of the Year	Wakalah Deal
Malaysia Deal of the Year	Turkey Deal
Most Innovative Deal	Social Impact Deal
Project & Infrastructure	
Finance	



ALB Malaysia Law Award 2016

Malaysia Deal of the Year
Debt Market Deal of the Year
Islamic Finance Deal of the Year



ALB SE Asia Law Awards 2016

Islamic Finance Deal of the Year



Thailand



**Honorable Mention
Intellectual Property**



Indonesia



M&A Deal of the Year

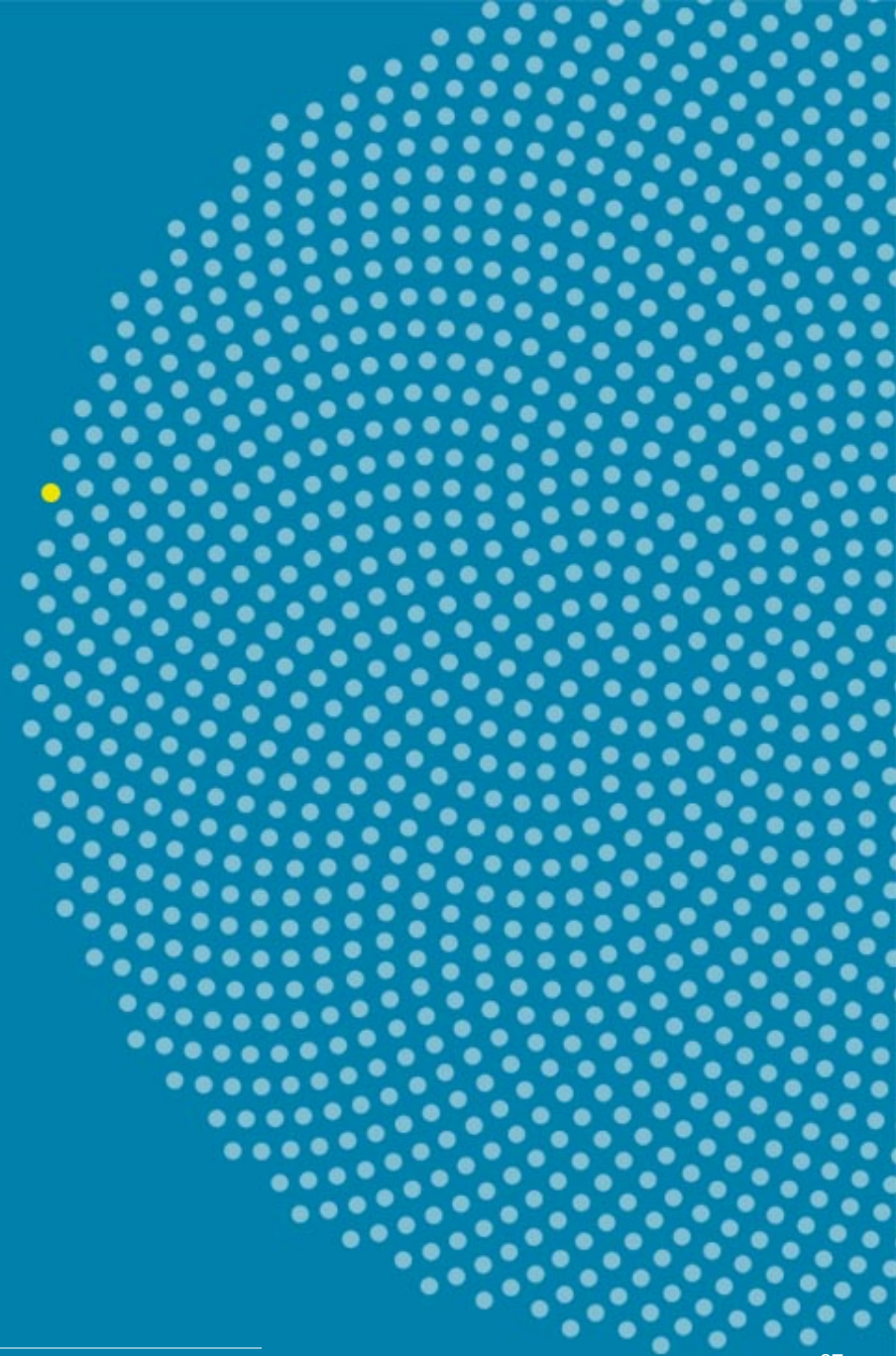


Vietnam



**Firm of the Year
Real Estate/Construction**

ZICO Holdings Inc.



● ZICO: “best of all worlds in a legal services business model”



- “A high quality, low cost, complete back office based on economies of scope and scale and jurisdiction,
- Stronger corporate, i.e. firm, branding to add to your personal brands and those of your partners,
- Building real equity on your balance sheet and having access to external capital to invest in the future without sacrificing income now, and
- Providing a growing list of adjacent services that includes trust, company secretarial, consulting, investor and wealth management services and benefit financially from doing so.
- The ZICOmodel is a perfect example of the hallmarks of a NewLaw firm...
- ... demonstrates one way traditional BigLaw firms can remake themselves”

*George Beaton, Remaking Law Firms: Why & How
28 June 2016*

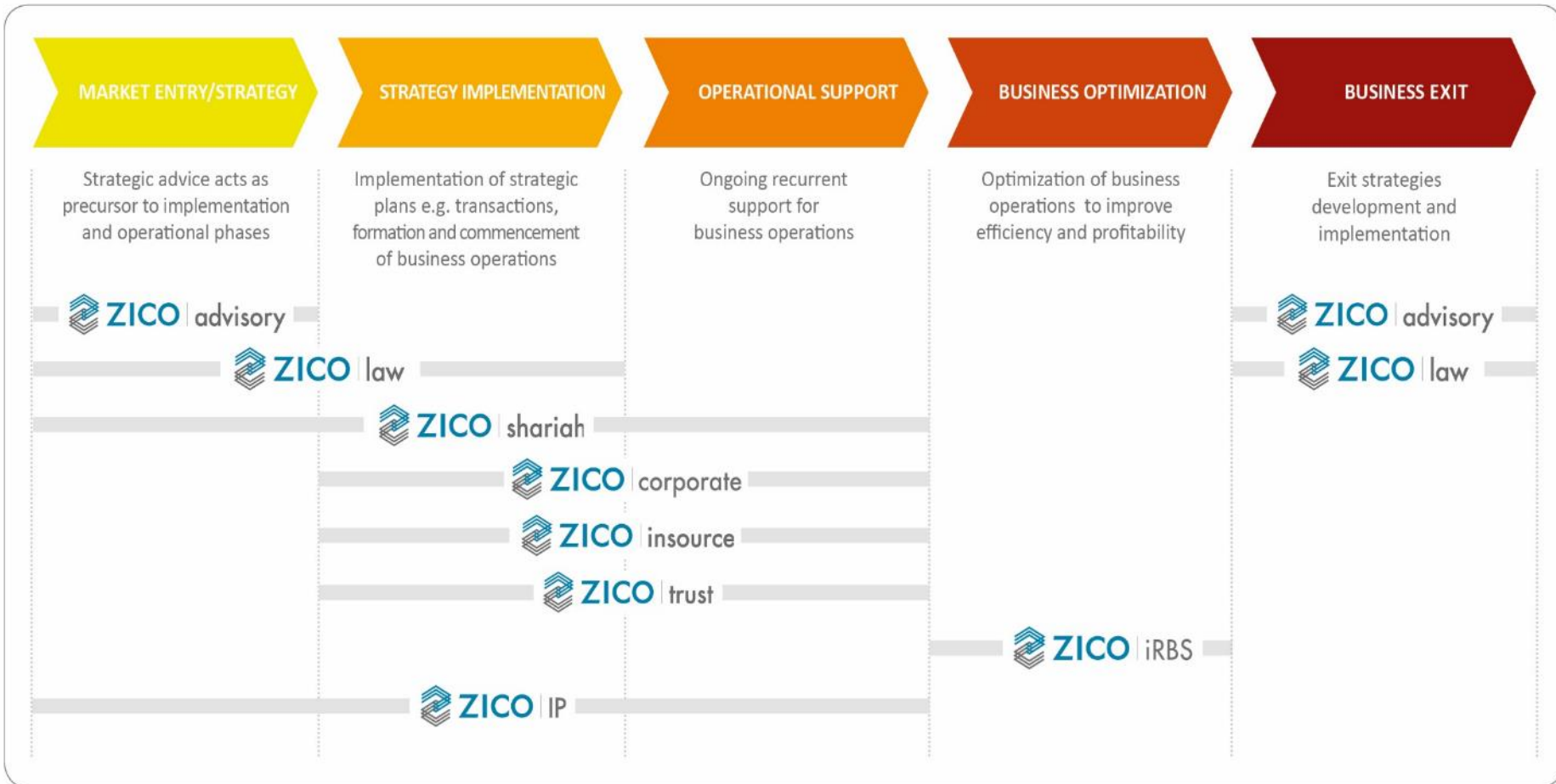
MDP framework - flexible platform for expansion of ZHI services supported by shared services platform



* New or enhancements since IPO





** w.e.f Q1 2017

● Convergence of “Services” across the business life cycle



How clients of ZHI and ZICO Law benefit

MDP service matrix

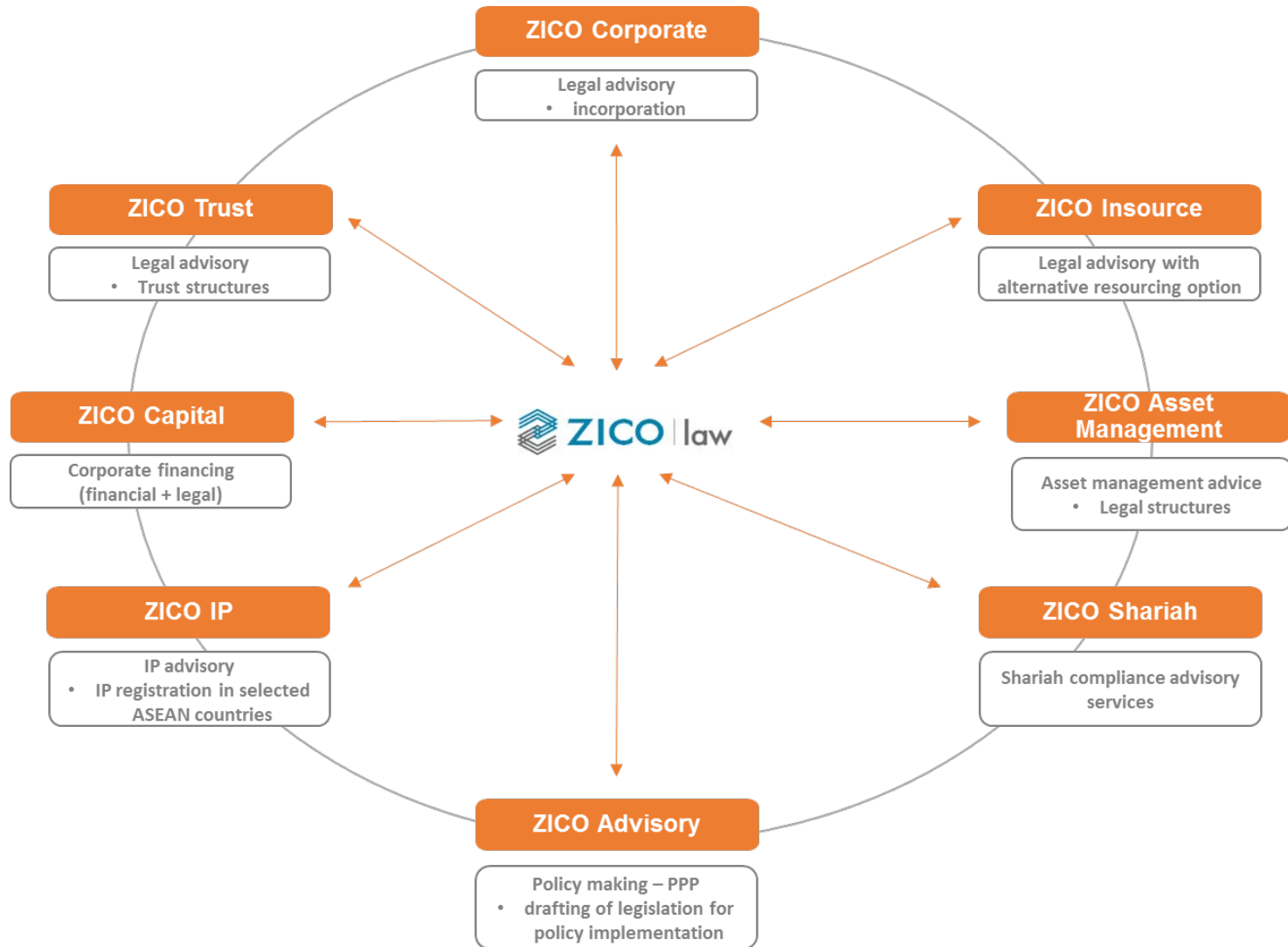
	 HNWs & UHNWs	 SMEs	 Corporates	 Governments
ADVISORY • Bespoke, premium businesses • Eg structuring, value add services	ZAM	CAPITAL		
	STRATEGY CONSULTING			
		INSOURCE		
			SYARIAH ADVISORY	
ENABLERS • Commoditised, volume-based businesses • Eg incorporation, compliance, reporting & submissions	ZICOLAW			
		SYARIAH COMPLIANCE		
	TRUST SERVICES		SHARE REGISTRY	
	CORPORATE SERVICES			
		CORPORATE SUPPORT		

Clients potentially extract value from services that supports work that are of the following nature:

1. High complexity
2. High compliance
3. High volume



Cross selling of increasing range of ZICO services





ASEAN INSIDERS
by origin and passion

Thank you! •

CAMBODIA | INDONESIA | LAOS | MALAYSIA | MYANMAR | SINGAPORE | THAILAND | VIETNAM