



GLOBAL LAW EXPERTS AWARDS 2012

2012 AWARDS

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Europe



Europe, called by some the old continent, is one of the world's most economically developed regions. With the European Union comprising 27 nations and a total population of around 500 million, the continent generates around 30% of the value of global GDP, making it the largest single economy.

2011 has brought challenges to the European Union in the form of sovereign debt risks and the attempts made by governments to tackle them. In the last three years Greece, Ireland and Portugal have received EU and IMF backed bailouts which, in partnership with strict state-encouraged austerity measures, are designed to help the member states get back on track. This road has been long and difficult and has caused turmoil in markets, lack of consumer confidence and a drop in the euro currency value.

According to the OECD report "A Market Perspective on the European Sovereign Debt and Banking Crisis", Europe has been beset by two interrelated crises: (i) a banking crisis, stemming from losses in capital market securities (including US subprime and other structured products), as well as home-grown, boom-bust problems in the property markets of some EU countries; and (ii) a sovereign debt crisis exacerbated by recession, transfers to help banks, and in some cases very poor fiscal management over a number of years that was inconsistent with the principles laid down in the Stability and Growth Pact and the Maastricht Treaty. The report highlights how both Greece and Ireland have faced very significant adverse movements in their yield spreads relative to euro-area benchmark bonds, and to a lesser extent this is also the case for Portugal, and Spain. The report finds that market-implied sovereign restructuring probabilities calculated by financial firms do, in fact, discriminate quite clearly between countries on a relative basis and the market has even begun to ponder whether the crisis could spread further, and whether the euro system in its current form is sustainable.

The short-term outlook for the world economy seems to hinge on whether a resolution to Europe's debt crisis can be found. A resolution, in turn, will be difficult to come by if the euro-zone falls back into recession. If output is shrinking and unemployment rising, then austerity measures are likely to make economic conditions worse while raising very little new revenue. The euro-zone may fall ever deeper into a hole.

That is an unnerving possibility given the outlook for the euro-zone. After shrinking in the fourth quarter of 2011, the euro-zone economy showed early signs of life in 2012. The big stock exchanges in Europe started the year strong, with the Dax index of German stocks up 16%. Even the Athens stock exchange was up 21%. However, these positive events are not enough to bring optimism concerning the continent's economy. In fact, an analysis of recent data points by Now-Casting, which publishes "real-time" economic forecasts, suggests that economic contraction continued in the first quarter of 2012. Given the fact the euro crisis is far from over and a risk still exists that Greece will not have the money to pay bondholders, the recovery is not expected to take place soon.

The European Central Bank's trillion-euro effort to prop up the European banking system (cheap, unlimited, 3-year lending to banks) has forestalled a crisis. Many people began convincing themselves that the worst of the storm had passed. As The Economist noted, current global economic conditions are much better now than in late autumn of 2011. Therefore, reasons for optimism are real, but if policymakers get it wrong again, the recovery could yet turn to dust. And there are many ways to get it wrong, the most dangerous of which is to fall into complacency. European governments certainly seem to have let their guard down. And the ECB, having rescued the financial system, is alarmingly relaxed in the face of what has become a new euro-zone recession. At the same time, grinding austerity measures in many EU countries continue to take



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**McKenna Long
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McKenna Long & Aldridge LLP ('MLA') is a US law firm with 575 attorneys and public policy advisers in 13 offices and 11 markets. In March 2012, the firm successfully completed a merger with the California-based Luce Forward, Hamilton & Scripps LLP.

Today, MLA maintains one of the premier financial services practices. Its attorneys operate on a global scale representing financial institutions of all sizes, including the sixth largest bank in the US.

Nora Wouters' Brussels-based European regulatory practice focuses on all financial products, including SRI and Islamic products, financial markets and financial intermediaries. Ms Wouters advises national governments, clearing houses, banks and payment institutions, rating agencies, investment funds, brokerage houses and investment companies on all aspects of European financial services regulation.

Ms Wouters has in-depth knowledge of commodities, futures, options, swaps, forward contracts and weather derivatives, as well as clearing and settlement institutions. She is also an active member of the Alternative Investment Management Association (AIMA).

Ms Wouters noted: "The hallmark of our financing and lending practice is the business acumen our attorneys bring to it. We strive to develop innovative financing structures adapted to the unique needs of our clients. Our focus is always on the client, helping to avoid risk and realise return."

As counsel to a Luxembourg clearing house, Ms Wouters was in-

involved in drafting their contractual documentation, and obtained privileged experience in clearing and settlement, upper tier transactions and nominee structures.

Commenting on MLA's investment funds offering, she noted: "We are currently awaiting the realisation of many regulatory initiatives at EU level, and their implementation at national level – i.e. the draft UCITS V Directive, the coming into force of MIFID II, and secondary legislation pertaining to the AIFMD. In addition, although it must be noted that Belgium has not yet implemented the UCITS IV Directive, we are nonetheless faced with practical questions on a daily basis resulting from a lack of sufficient transitory legislation. 2011 saw MLA advising foreign UCITS and non-UCITS on public offerings, registration with the Belgian regulator, tax implications, and contractual documentation concerning financial servicing companies and distributors in Belgium, as well as custodian agreements for dematerialised securities as top of the summit. MLA also has in-depth experience in SRI funds, micro investment funds and Islamic funds."

Regarding hedge and private equity funds, Ms Wouters added that she is actively involved in advocacy work regarding bail in and debt write-down as envisaged by upcoming EU bank resolution legislation.

Meanwhile, the firm continues to address client needs across a wide spectrum of global business challenges. To this end, MLA is home to highly qualified and experienced practitioners in international commercial arbitration, foreign court litigation management, and US and EU international regulation. Further, its government affairs team maintains former senior executive and legislative branch officials experienced in virtually all policy areas.

Cyprus - Corporate Governance Law Firm of the Year



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AG. Paphitis & Co. LLC is one of the fastest growing full service law firms in Cyprus. It is headquartered in Limassol, Cyprus' major commercial city for international companies. Since its establishment in 2006, the firm has become renowned among its industry peers for its rapid expansion, as well as for the trust and confidence that a high number of private individuals and corporations have shown to the firm.

Today, the firm consists of seven lawyers, four consultants and five corporate administrators, as well as auditors, accountants and ancillary staff. Its departments include Commercial, Litigation and Corporate Services.

Among its many accolades, AG. Paphitis & Co. is recommended by the Legal 500 as Cyprus' leading firm for 2012 in the area of dispute resolution. The firm was also named Law Firm of the Year 2011 in Cyprus in the area of Corporate Governance by GLOBAL LAW EXPERTS (GLE).

Managing director Angelos Paphitis noted: "Since its establishment, the firm has been devoted to company law and corporate governance, including corporate and civil litigation, trustee services and tax law. Moreover, it has been the founders' aim to increase awareness regarding Cyprus as an international business and financial centre.

"By taking advantage of Cyprus' geographical location and tax

incentives, the firm is active in promoting Cypriot companies as Special Purpose Vehicles (SPV). To this end, the firm provides support in setting up complex tax structures for avoidance of double tax payments, as well as helping its clients to minimise their tax liabilities through well-structured tax planning."

In recent years, AG. Paphitis & Co. has taken part in a number of deals of international significance. These have included the acquisition of a Cypriot holding company over Ukrainian assets for a total of US\$700 million, as well as providing legal and financial due diligence for the acquisition of Cypriot holding companies worth hundreds of millions of dollars.

Mr Paphitis added: "As regards our litigation work, the firm recently defended an action in Cyprus for breach of contract in Russia worth US\$1 billion. The firm is also known for its representation before the Cypriot courts and local authorities of major local companies. These include Cypriot banks such as the Bank of Cyprus PLC, Alpha Bank Cyprus Ltd and Hellenic Bank PLC, as well as other local companies such as Polycliniki 'Ygia' PLC, a leading private hospitals company; LiteForex; United World Capital; IFC Markets; Insta-Markets; OKPAY; Metaquotes; XE-Markets; and Mayzus Investments."

Last but not least, AG. Paphitis & Co. actively participates in seminars concerning international tax planning and trusts, providing detailed information on the benefits that Cyprus has to offer to investors and corporations.

This is aided by Mr Paphitis' affiliations with the Cyprus Bar Association, the International Bar Association, the International Tax Planning Organization, the Society of Trust and Estate Practitioners (STEP), the International Law Office, and the Honorable Society of Gray's Inn.