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compliance *reporter*

Private Practitioners Flock to Compliance Posts

by Nathaniel Baker

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Law firms with securities and fund practices are experiencing a run on their staff as fund companies and investment advisers look to hire compliance officers and in-house counsel. With the Oct. 5 deadline requiring firms to have chief compliance officers fast approaching, law firm attorneys are departing for in-house roles at funds, said Michael Lord, principal of Michael Lord & Co. in New York. Philip Harris, partner at Skadden, Arps, Slate, Meagher & Flom in New York, said some lawyers there have been getting three calls a day from recruiters. "There is a shortage of people who are qualified," Harris said.

A recruiter in New York named four law firms that had been especially hard hit by the exodus: Schulte Roth & Zabel, Fried, Frank, Harris, Shriver & Jacobson, Katten Muchin Zavis Rosenman and Seward & Kissel. None of the aforementioned law firms would comment, but a person familiar with the situation said Schulte's hedge fund practice had lost about a third of its associates to compliance officer and in-house counsel positions this year. Andrea Stern, v.p. of legal and compliance at Solomon Page Group, an executive search firm in New York, said many departures are at the associate level. "They realize it's an opportunity to substantially increase their salaries and they want to seize the moment," she added. Stern said fund companies and IA firms traditionally preferred hiring compliance staff with in-house experience in the industry, but the shortage of individuals with those qualifications made them go to law firms

An executive recruiter for a large fund complex in Atlanta said he was surprised when high-level law firm attorneys responded to a CCO opening he had advertised. The recruiter described these applicants as "heavyweights ... directors and partners with law firm backgrounds." Deborah Rivera, president at The Succession Group, a recruiter in New York, said since the beginning of the year she had seen a 25% increase in law firm attorneys

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leaving their firms for financial services, but would not provide a specific benchmark. "Last year they were talking about it, this year they are actually doing it," Rivera said. Salaries, which at some fund companies have reached seven figures for compliance (CR, 8/16), are helping. Rivera said lawyers are leaving for "more money, fewer hours, a better lifestyle, and more autonomy." Michael Tuller, senior partner at Compliance Search Group in New York, said his clients looking to hire compliance officers, 20-40% more were asking for law firm backgrounds this year.

Harris said he expects the shortage to intensify, especially if the Securities and Exchange Commission approves the proposed rule to register hedge fund advisers. "Law firms could also face a shortage [of personnel]," he said, adding "there will be pressure on training and staffing." Lord agreed. "Law firms will be left scrambling to hire talented hedge fund lawyers," he said, adding that they may solve this by retraining corporate associates who aren't busy.

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