



Options For Legal Support In Today's Market

third party risk management

Summary: Community financial institutions are facing increasing legal risks, including increased regulatory compliance, cyberattacks, and M&A complexities. In order to effectively manage this extra legal exposure, many bankers are increasing their legal support. We give you some options and steps to consider.

Believe it or not, there are 1.33MM lawyers in the US, according to Statista. Since 2013, the number of lawyers has outnumbered the jobs available for attorneys and this has been exacerbated by automation in the legal industry. The good news for some lawyers is that bankers need their services more than ever these days.

There are many reasons why community financial institutions (CFIs) have been seeking out extra legal counsel lately. Stepped-up regulatory compliance, new forms of cyberattacks, expanded complexity of third-party contracts (especially with fintechs), and new M&A vehicles, including special purpose acquisition companies (SPACs), are a few reasons we have heard. Not only are they seeking the help of outside law firms, but also employing part-time legal counsel on retainer. With the increasing need for legal expertise, we provide you with some tips for doing both.

Retained part-time counsel. Even if a CFI generally outsources legal expertise, it can be helpful to have a part-time attorney on retainer. This arrangement with a set number of hours can provide value, as they are more involved in your business and are up-to-speed as you develop new products or face changing compliance rules. In contrast to full-time, in-house counsel, you get steady legal support, but you won't need to pay a whole salary or benefits.

Outside counsel. Leveraging external law firms can be critical when internal issues arise that may need an independent investigation and possible representation in litigation. Outside counsel can also provide specialized M&A expertise, including forming SPACs, as well as forming fintech partnerships.

When **conducting due diligence**, here are a few items to look for:

1. Consider law firms that have industry expertise, as well as the ability to advise CFIs on fintech partnerships or acquisitions.
2. When interviewing potential outside law firms, check to see if they have done their homework about your institution. Are they actually listening and asking questions about your particular concerns and situation? Are they open to exploring your future goals or pursuing new opportunities with you?
3. Look for a legal partner who seeks to meet your needs, not someone who merely views your institution as a revenue stream. While this may seem obvious, it can be overlooked.
4. Ask how they've managed budgets and what the alternative fee arrangements are, when budgets have been surpassed.
5. Is their tolerance for risk commensurate with that of your institution?
6. Are they culturally compatible with your organization?

Managing the relationship. CFIs should ask for one point of contact, someone who oversees the scope, timetable, and budget for projects. Then, take these steps to manage outsourced legal projects successfully.

1. Define a clear goal and scope that can be measured.
2. Detail the steps involved in the legal work, creating milestones.
3. Determine budget and estimated project completion time.

4. Closely monitor outside counsel to ensure the work is being done on time and on budget and adjust, if necessary.

CFIs are continuing to face ever-more potential legal exposure. So, it's prudent to consider how to effectively manage your legal needs.

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ECONOMY & RATES

Rates As Of: 05/18/2021 06:59AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.02	0.01	-0.07
6M	0.04	0.01	-0.05
1Y	0.05	0.00	-0.06
2Y	0.16	0.00	0.04
5Y	0.85	0.00	0.48
10Y	1.66	0.02	0.74
30Y	2.38	0.08	0.74
FF Market	FF Disc		IORB
0.06	0.25		0.10
SOFR	Prime		QREFR
0.01	3.25		0.05

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