

Vereins and Virtues: Serving Clients In Local Communities and Around the World

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Referring to a law firm, accounting firm, or other organization as a “verein” doesn’t tell you much by itself. It’s like characterizing an organization as “tax exempt.” While that describes a particular organizational structure, the definition ignores every other aspect of the organization’s mission, purpose, and culture. Tax exempt organizations come in thousands of variations, from a neighborhood after-school program to, until recently, the National Football League. All are 501(c)(3)s -- but, so what?

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Similarly, characterizing a law firm as a verein tells one very little about that firm’s mission, purpose, or culture. In his excellent article¹, Doug Richmond refers to the verein as the Swiss army knife of law firm organizational structures. It’s a great metaphor; like the ubiquitous pocket knife, a verein can come in different shapes and sizes, with different functions and features.

In designing a verein, one of the first questions to address is what tools it has decided to array. For example, has it adopted those positive aspects of a partnership, described above, to best serve its function and be useful for its clients? At Dentons, we decided early on to include those tools as part of our framework and governance, our policies and procedures, and our operations and interactions among colleagues.

The word “partnership” is more familiar. One immediately grasps the concept of individuals working together for the benefit of a collective whole. But even that term has its own limitations. Is the partnership a general partnership or one with limited liability? Is everyone who carries the title partner a full owner of the business, or do some have limited or even no economic interest and alignment with the group as a whole? Are those economic interests equal or different? If different, what’s the range of variation? Does their interest change annually by individual performance or in lock-step with one’s contemporaries?

One benefit of a verein is that it allows practitioners in different countries a structure by which they can ensure their local practices are carefully regulated by the exacting standards of their local regulators, and there is no impediment created by foreign ownership or control over the local practice of local law. For this reason, the legal practices that comprise a verein are able to practice local law in those jurisdictions in strict observation of those rules, whereas a law firm with “foreign ownership” may not. At the same time, those local practices can use the verein to commit to global policies and procedures, so that clients around the world receive the benefit not just of local expertise but of consistent standards in each of the jurisdictions where they have a deal to transact or a dispute to resolve.

The verein also can offer clients the benefits of quite an array of options. A verein offers flexibility in the way in which the lawyers engage with their clients. For clients who may have only domestic needs and have experience with other lawyers in their home jurisdictions, the verein allows them to interact and engage with their counsel in a familiar fashion. For those with needs beyond their home country, the verein offers an excellent way to have them served by lawyers who share the same commitment to the legal profession and client service that allow for seamless service across borders and around the world.

Further, regardless of which variety of engagement may be appropriate, we are transparent with our clients in our

firm's engagement letters and careful to explicitly describe the terms of our engagement. I am not aware of any firm organized as a *verein* -- least of all my firm -- that takes the view that its structure somehow insulates it from compliance with professional responsibility obligations. Again, what matters is not how a particular firm law is organized, but whether that firm has appropriate processes and systems in place to ensure compliance with the applicable rules of professional responsibility.

The *verein* has much in common with the country of its birth. While the Swiss have a strong national identity, the identity encompasses some significant historic diversity, spanning four national languages, and 26 separate cantons, each with a proud history and independent culture. If one tried to describe Switzerland's own organizational model, one might note hallmarks of a structure that is commercially minded, politically neutral, economically stable, and committed to the rule of law. Not a bad model for a law firm.

1. Richmond, "Professional Responsibility and Liability Aspects of *Verein*, the Swiss Army Knife of Global Law Firm Combinations,") *88 St. John's Law Review* 917 (Winter 2014).↩

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