# Allen & Overy and Shearman & Sterling merger faces challenges amid global market pressures



Donald Trump’s tariffs have added pressure to global markets and major companies, including legal firms making significant transatlantic moves. One of the most prominent recent mergers in the legal sector has been between UK-based Allen & Overy (A&O) and US law firm Shearman & Sterling, marking a milestone after two decades of merger talks. This formation, branded as A&O Shearman, now boasts nearly 4,000 lawyers and operates 47 offices across 28 countries, effectively blending A&O’s London stronghold with Shearman’s New York power.

However, the merger has faced substantial challenges within its first year, partly influenced by external political pressures. Most notably, A&O Shearman settled with the Trump administration after scrutiny over the use of diversity, equity, and inclusion (DEI) policies in hiring. As part of the settlement, the firm agreed to provide $125 million worth of pro bono services and to remove the term "DEI" from its programmes, a decision that stirred criticism among staff, clients, and former employees on social media. Internally, A&O Shearman continues to manage cultural integration hurdles, especially amid some UK-based staff’s concerns about what they describe as “Americanisation,” including stricter office attendance policies. Despite these issues, the firm has so far retained key partners with a new all-equity compensation plan targeting top US legal talent, with potential earnings exceeding $10 million for high performers. The firm’s ongoing success will be clearer when it publishes its combined annual results this summer.

In related economic developments, private equity firm KKR has expressed optimism about Europe's market evolution. Tara Davies, KKR’s European co-head, told the Financial Times that Europe is experiencing what might be described as a "renaissance," reflecting a growing focus on self-sufficiency and a reshaping of its economic framework. She highlighted Germany’s €500 billion planned increase in public infrastructure spending and acknowledged the influence of former European Central Bank president Mario Draghi’s recommendations aimed at consolidating Europe’s capital markets. Mattia Caprioli, KKR’s co-head for Europe, also emphasised the importance of unifying European public markets under a simpler legal framework to enhance liquidity and make it easier for businesses to access capital. Despite this enthusiasm for Europe, KKR plans to continue significant investments in the US, balancing opportunities based on business fundamentals rather than geopolitical shifts.

Meanwhile, Italy’s banking sector is undergoing a complex series of mergers and acquisition contests. Mediobanca recently launched a €6.3 billion takeover bid for Banca Generali, aiming to strengthen its presence in wealth management and reduce its dependency on its majority holding in insurer Assicurazioni Generali. This move comes as Monte dei Paschi di Siena, smaller in size, launched a surprise €13.3 billion all-share hostile bid for Mediobanca earlier this year. The intense bidding wars reflect broader political and financial strategies, including efforts by Giorgia Meloni’s government to create a "third pole" in Italian banking to counterbalance the dominant players UniCredit and Intesa Sanpaolo. Control of Assicurazioni Generali remains a crucial prize in this contest, as insurers traditionally deliver stable cash returns sought after by investors.

In other corporate news, several notable appointments have been announced: Johannes Huth will remain on Axel Springer’s supervisory board following its split with KKR and will become managing director at Groupe Bruxelles Lambert. Nico Marais has been appointed as chief financial officer at Prosus, having served as interim CFO since December. Clifford Chance has promoted 31 new partners, including Michael Van Arsdall from its Washington DC antitrust group. Entain has appointed Stella David as its permanent chief executive after serving as interim CEO.

Additionally, private equity firm Apollo has successfully exited from German banks it had acquired following the financial crisis, marking a notable moment reported by the Financial Times. Meanwhile, the film "Margin Call," considered a sharp portrayal of the 2008 financial crisis, was recently featured in an interview with its director, highlighting the film's enduring relevance.

These developments come amid a wider backdrop of global economic shifts, including actions by the White House criticizing Amazon, adjustments to car tariffs by Donald Trump during a visit to Michigan, and regulatory rulings such as the EU court’s decision against Malta’s “golden passport” scheme. The European Central Bank is also under scrutiny after a staff survey revealed concerns about promotion practices within banks.

The Financial Times reports that these interconnected events signal ongoing volatility and transformation across global finance, legal sectors, and capital markets, influenced by political decisions, regulatory environments, and strategic corporate manoeuvres.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.ft.com/content/4dfdda2f-54b8-479a-b597-1d01cc8cbbe4> - This article discusses the merger between UK-based Allen & Overy and US law firm Shearman & Sterling, forming A&O Shearman with nearly 4,000 lawyers and 47 offices globally. It also highlights the challenges faced by the firm, including cultural tensions and controversy over a settlement with the Trump administration regarding diversity, equity, and inclusion (DEI) policies.
2. <https://www.ft.com/content/3e2601b2-a17a-4fbb-87d8-b40262bfaed6> - This piece reports on KKR's positive outlook on Europe's investment climate, citing substantial infrastructure spending and proposed competitiveness reforms, despite the impact of U.S. tariffs. It also mentions KKR's ongoing investments in the U.S. market.
3. <https://www.reuters.com/legal/legalindustry/law-firm-ao-shearman-trim-partnership-by-10-post-merger-cuts-2024-09-06/> - This article details A&O Shearman's announcement to reduce its partnership by 10% and close its Johannesburg office as part of post-merger restructuring, aiming to eliminate redundancies and promote growth in key areas.
4. <https://www.ft.com/content/c238b2a8-7747-4ff5-9b36-c2e913b9bf89> - This article examines the expansion of US law firms in London, challenging the UK's traditional 'magic circle' firms, and discusses the impact of significant mergers like Allen & Overy with Shearman & Sterling.
5. <https://www.ft.com/content/25dff89f-b426-47cf-a39e-124185856d2b> - This piece analyzes the trend of large law firms merging to become more competitive, focusing on the Allen & Overy and Shearman & Sterling merger and its implications for the transatlantic legal market.
6. <https://www.globallegalpost.com/news/allen-overy-and-shearman-sterling-unveil-transformative-merger-plan-to-create-34bn-firm-1927786263> - This article discusses the proposed merger between Allen & Overy and Shearman & Sterling, highlighting the creation of a $3.4 billion firm with 3,900 lawyers across 49 offices, and the strategic benefits for both firms.
7. <https://www.ft.com/content/4dfdda2f-54b8-479a-b597-1d01cc8cbbe4> - Please view link - unable to able to access data