



Mergers & Acquisitions and Market Regulations

Effective from 11 July 2024

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Institute of Chartered Accountants in England and Wales

Objective of the Examination

The aim of the unit is to provide candidates with a thorough understanding of Mergers & Acquisitions and Market Regulations in practical corporate finance situations. This unit will cover:

- Making Acquisitions
- Deal Structuring and Financing
- Disposals and Demergers
- Main Regulations for Listed Companies
- Other Regulatory and Ethical Considerations

Assessment Structure

The unit will be assessed by a **70 minute** examination. The assessment will draw from across the syllabus and may include a mix of multiple choice, drag and drop, numerical answer and multiple response questions with some based on case studies.

Candidates sitting the exam by Computer Based Testing may have, in addition, up to 10% additional questions as trial questions that are not separately identified and do not contribute to the result. Candidates will be given proportionately more time to complete the test.

Syllabus Structure

The unit is divided into **elements**. These are broken down into a series of **learning objectives**.

Each learning objective begins with one of the following prefixes: **know**, **be able to apply**, **be able to analyse**, **be able to interpret** or **be able to evaluate**. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **know** requires the candidate to recall information such as facts, rules and principles
- **be able to apply** require the candidate to be able to use their knowledge in a given set of circumstances to present a clear and detailed explanation of a situation, rule or principle
- **be able to analyse** requires the candidate to review the information content in detail and draw conclusions
- **be able to interpret** requires the candidate to review the information content and extract meaning from it
- **be able to evaluate** requires the candidate to review the information content and make an informed judgement based on a set of criteria

Candidate Update

Candidates are reminded to check the 'Candidate Update' area of the Institute's website (cisi.org/candidateupdate) on a regular basis for updates that could affect their examination as a result of industry changes.

Examination Specification

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element and / or case study should not change by more than two.

Mergers & Acquisitions and Market Regulations			
Element 1	Making Acquisitions	4 Questions*	3 Case Studies (with 5 Questions* each) covering any Element of the syllabus
Element 2	Deal Structuring and Financing	3 Questions*	
Element 3	Disposals and Demergers	3 Questions*	
Element 4	Main Regulations for Listed Companies	2 Questions*	
Element 5	Other Regulatory and Ethical Considerations	3 Questions*	
Sub total		15 Questions	15 Questions
TOTAL		30 Questions	

* may include a mix of multiple choice, drag and drop, numerical answer and multiple response questions

Summary Syllabus

Element 1 Making Acquisitions

- 1.1 Mergers and Acquisitions as a Strategy
- 1.2 The Acquisition Process and The Takeover Code

Element 2 Deal Structuring and Financing

- 2.1 Structuring the Deal
- 2.2 Financing Options
- 2.3 Analysing Deal Effects
- 2.4 Analysing Merger Gains

Element 3 Disposals and Demergers

- 3.1 Disposals
- 3.2 Demergers

Element 4 Main Regulations for Listed Companies

- 4.1 The Listing Rules
- 4.2 Prospectus Regulation Rules
- 4.3 Continuing Obligations

Element 5 Other Regulatory and Ethical Considerations

- 5.1 The regulatory environment
- 5.2 Ethics and Governance
- 5.3 Legislation and Regulations relevant to Companies and Financial Markets
- 5.4 Financial Crime
- 5.5 Competition and Other Regulations

Element 1 Making Acquisitions

1.1 Mergers and Acquisitions as a Strategy

On completion, the candidate should:

- 1.1.1 be able to evaluate the arguments for and against the use of mergers and acquisitions as a strategy for growth
- 1.1.2 be able to apply appropriate criteria for selecting a target for acquisition
- 1.1.3 be able to evaluate a potential acquisition target for the following synergies:
 - Revenue synergy
 - Cost synergy
 - Financial
- 1.1.4 be able to analyse the reasons for an acquisition failing to enhance shareholder value and generate anticipated synergies
- 1.1.5 be able to evaluate alternative strategies to mergers and acquisitions for achieving a strategy of growth

1.2 The Acquisition Process and The Takeover Code

On completion the candidate should:

- 1.2.1 know the key stages in the acquisition of a private company
- 1.2.2 know the due diligence process for acquiring private and public companies including:
 - Scope of due diligence
 - Vendor due diligence and data rooms
 - Purchaser due diligence
- 1.2.3 know the various types of due diligence that may need to be carried out e.g. commercial, financial, management, operational, technical, political, pension funding, ESG

1.2.4 know the following aspects of the Takeover Code and their relevance when advising on an acquisition to which the Code relates:

- When the Code applies
- The structure of the Code
- The spirit of the Code
- The structure of the Panel on Takeovers and Mergers (PTM) and its powers
- Statutory status
- Independent advice
- Irrevocable undertakings
- Financing arrangements
- Offers for different classes of shares
- Concert parties
- Special deals and management incentives
- Accuracy and content of documents
- The creation of false markets
- Restrictions and frustrating actions
- Consideration
- Mandatory offers
- The timetable of an offer
- Consulting the Panel

1.2.5 be able to analyse the key stages in the acquisition of a public company via a scheme of arrangement

1.2.6 be able to evaluate appropriate strategies for agreed and hostile offers including hostile bid tactics and defence strategies

1.2.7 be able to evaluate the purpose, scope and contents of different types of legal and other documentation necessary during the acquisition process

Element 2 Deal Structuring and Financing

2.1 Structuring the Deal

On completion the candidate should:

- 2.1.1 be able to evaluate the merits of acquisition via a share purchase versus structuring the deal as the purchase of assets
- 2.1.2 be able to evaluate the use of control premia and marketability discounts in arriving at the acquisition price

2.2 Financing Options

On completion the candidate should:

- 2.2.1 be able to evaluate different offer considerations for an acquisition including cash, loan stock, shares and other relevant forms of consideration
- 2.2.2 know the purpose and scope of loan and security documentation in corporate finance transactions
- 2.2.3 be able to evaluate the relative merits and demerits of earn outs and deferred consideration as options for financing an acquisition

2.3 Analysing Deal Effects

On completion the candidate should:

- 2.3.1 be able to analyse whether a deal has had an enhancing or dilutive effect on the acquirer's earnings per share (EPS)
- 2.3.2 be able to analyse the effects of a deal on the financial risk of the acquirer
- 2.3.3 be able to analyse the effects of a deal on the relative size of the acquirer with specific reference to net asset per share
- 2.3.4 be able to analyse the effects of a deal on the return on capital employed (ROCE)
- 2.3.5 be able to analyse the effects of a deal by considering the return on invested capital (ROIC) of the acquirer

2.3.6 be able to analyse a deal by considering further measures including the size of the bid premium, the post-acquisition P/E ratio and dividend pay-out ratios

2.4 Analysing Merger Gains

On completion the candidate should:

2.4.1 be able to analyse the share of merger gains accruing to the acquirer and the target company shareholders under different financing scenarios

Element 3 Disposals and Demergers

3.1 Disposals

On completion the candidate should:

3.1.1 be able to analyse the motivations for disposal of the following:

- A subsidiary or division of a public company
- A private company disposal
- A personal disposal of a family business

3.1.2 know the following aspects of the sale process of a disposal in a given scenario:

- Traditional and alternative disposal methods
- Identifying and shortlisting purchasers
- Approaching potential purchasers

3.1.3 know the stages of the auction process in the following situations:

- Advising on inviting offers
- Evaluating offers

3.2 Demergers

On completion the candidate should:

- 3.2.1 be able to evaluate the benefits and potential problems associated with a demerger
- 3.2.2 be able to evaluate the use of the following methods of achieving a demerger:
 - Dividend approach
 - Scheme of arrangement
 - Liquidation method

Element 4 Main Regulations for Listed Companies

4.1 The Listing Rules

On completion the candidate should:

- 4.1.1 know the following aspects of the Listing Rules in a given scenario:
 - The structure, applicability and enforcement of the Listing Rules
 - The listing principles
 - The key requirements for listing
 - The timetable for listing
 - Obligations of sponsors

4.2 Prospectus Regulation Rules

On completion the candidate should:

- 4.2.1 be able to apply the Prospectus Regulation Rules when advising on:
 - When a prospectus is required
 - The format and contents of a prospectus
 - The approval of a prospectus by the regulator and subsequent publication

- The appropriate use of a pathfinder prospectus

4.3 Continuing Obligations

On completion the candidate should:

4.3.1 be able to apply the Disclosure Guidance and Transparency Rules (DTR) and UK Market Abuse Regulation (UK MAR) in relation to:

- Announcements to shareholders (including the dissemination of inside information)
- Significant transactions including the need for 'class tests'
- Related party transactions
- Directors' obligations

Element 5 Other Regulatory and Ethical Considerations

5.1 The regulatory environment

On completion the candidate should:

5.1.1 understand the regulatory environment

- UK regulatory infrastructure
- the Financial Services and Markets Act 2000
- the Financial Services Act 2012
- global considerations

5.1.2 understand the role of the FCA in the regulation of the financial services industry

5.1.3 know how regulated market structures are regulated:

- Exchanges
- Trading venues (multi-lateral trading facilities and organised trading facilities)
- Systematic internalisers

- 5.1.4 know the roles of the relevant bodies involved in takeovers and mergers

5.2 Ethics and Governance

On completion the candidate should:

- 5.2.1 be able to apply their professional body's relevant code of conduct (e.g. CISI's Code of Conduct and/or the ICAEW's Code of Ethics) in a variety of ethical dilemmas
- 5.2.2 be able to apply the main principles of the UK Corporate Governance Code and the QCA Corporate Governance Code in a given scenario
- 5.2.3 know the similarities and differences between the principles of the UK Corporate Governance Code and the Disclosure Guidance and Transparency Rules (DTR)

5.3 Legislation and Regulations relevant to Companies and Financial Markets

On completion the candidate should:

- 5.3.1 be able to interpret the key provisions relevant to the following areas of the Companies Act as they relate to corporate finance transactions:
- Section 793 notices
 - Company meetings
 - Alterations to capital structure
 - Financial assistance
 - Company investigations
 - Minority shareholder protections
 - Duties of directors in relation to conflicts of interest
- 5.3.2 be able to interpret the key provisions of section 21 (financial promotions) of the Financial Services and Markets Act (FSMA) as they relate to corporate finance transactions

5.3.3 be able to interpret key aspects of the UK Markets in Financial Regulation and the FCA's Conduct of Business Sourcebook for firms conducting designated investment business:

- Client categorisation
- Conflicts of interest
- Investment research
- Personal account dealing rules

5.3.4 be able to interpret the AIM Rules for Companies

5.4 Financial Crime

On completion the candidate should:

5.4.1 be able to interpret the following key aspects the UK Market Abuse Regulation to a given corporate finance scenario:

- The five offences of market abuse
- Qualifying investment and markets
- Defences and penalties
- Reporting suspicious transactions
- The FCA's Code of Market Conduct
- Price stabilisation and buybacks

5.4.2 know activities considered to constitute:

- money laundering
- terrorist financing

5.4.3 be able to interpret the requirements of the following as they relate to the corporate finance profession:

- The Bribery Act
- The Criminal Justice Act (specific provisions on insider dealing)
- The Insider Dealing (Securities and Regulated Markets) Order 2023)

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- The Proceeds of Crime Act (specific provisions for money laundering)
- The Counter Terrorism Act (specific provisions on money laundering of terrorist funds and terrorist financing)

5.5 Competition and Other Regulations

On completion the candidate should:

5.5.1 be able to evaluate in a given corporate finance scenario the likelihood of intervention from the following regulators:

- The Competition and Markets Authority
- The Pensions Regulator
- The Department for Business, Energy and Industrial Strategy