

REGULATORY
M&A DUE
DILIGENCE



HUNTSWOOD

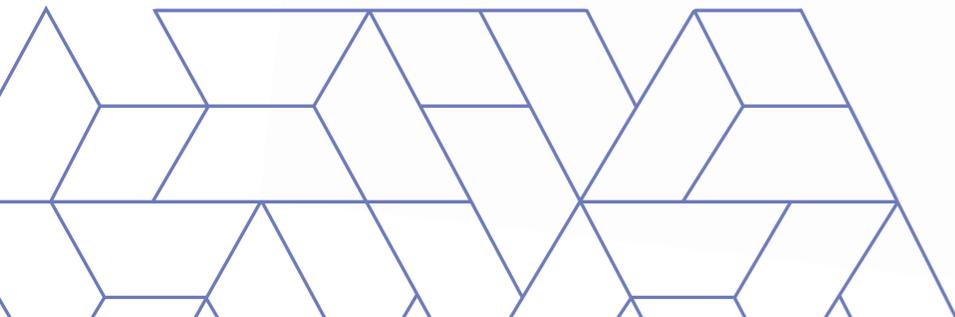
UNDERSTANDING REGULATORY RISK IS KEY

Financial and commercial considerations are often the main focus of due diligence when mergers and acquisitions are being transacted.

However, due to the significance of regulation within the financial services sector, it is important that both purchasers and vendors undertake robust regulatory due diligence before any deal is finalised.

Undertaking a regulatory due diligence review can help the purchaser avoid buying into unknown risk or legacy issues associated with the back-book. The process can also help the vendor evidence value or identify unknown issues before going to market, ensuring steps are taken to improve controls to mitigate any risks identified or ring-fence any regulatory issues.

With the threat of regulatory fines and the increasing cost associated with legacy issues affecting firms' current and future profitability, ensuring you have independent regulatory specialists as part of your overall approach to due diligence is imperative.



NEIL COLLINS
PRINCIPAL CONSULTANT

A ROBUST APPROACH TO REGULATORY DUE DILIGENCE

Huntswood offer a comprehensive approach to regulatory due diligence, to support firms through merger and acquisitions transactions.

Our model follows the end-to-end journey of an M&A deal, and is adaptable to suit the needs of the firm with a combination of options; we are able to deliver robust and comprehensive regulatory due diligence from the beginning to end of the deal or concentrate on any component part.

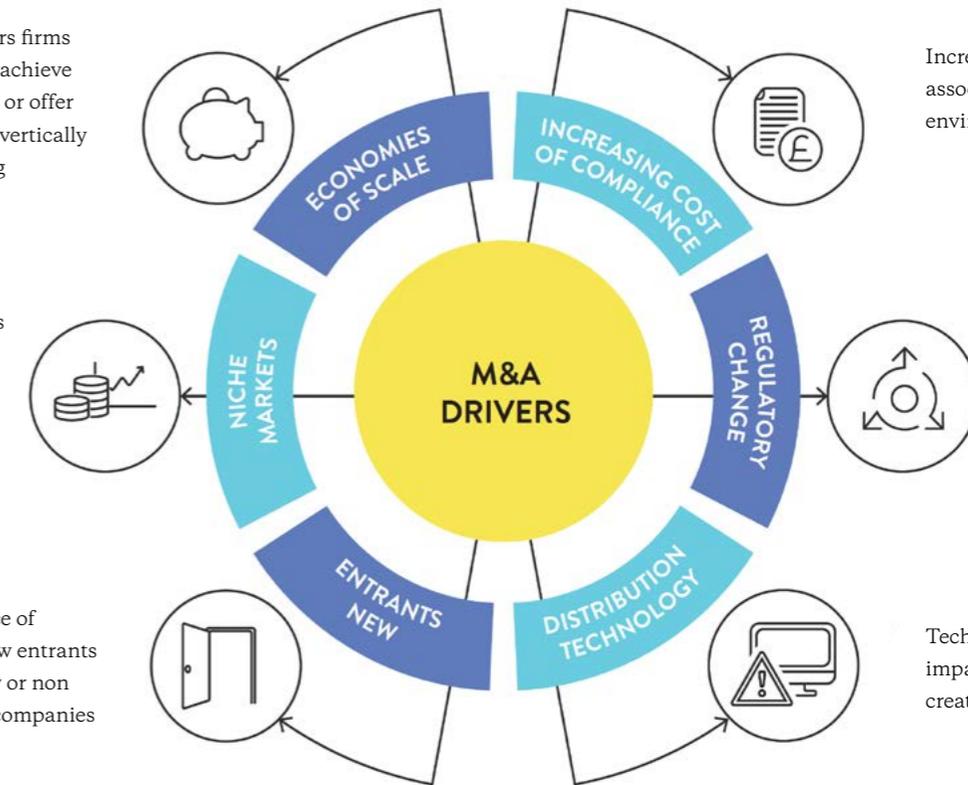
Given our depth of knowledge and understanding of regulation, combined with our extensive experience of conducting regulatory due diligence exercises, we have the ideal mix of skills and expertise to undertake robust and comprehensive - and, importantly, independent - due diligence on your behalf.

MERGERS AND ACQUISITIONS DRIVERS

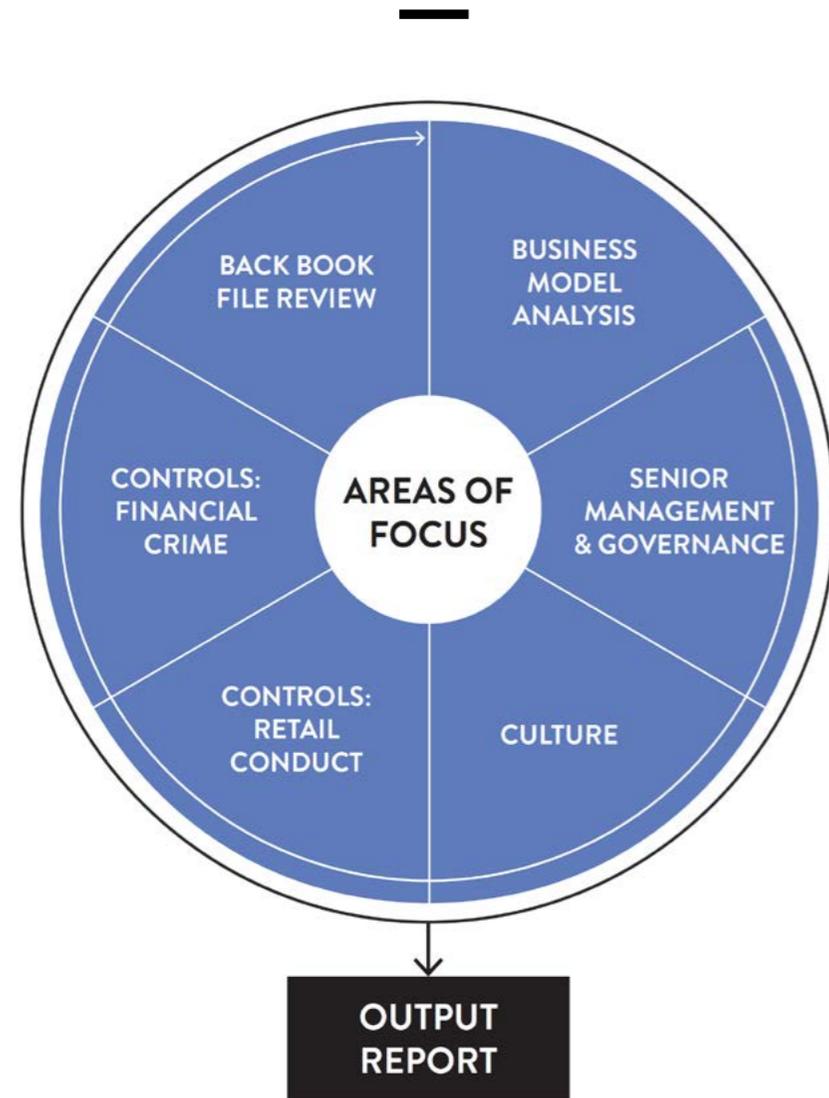
Consolidation offers firms the opportunity to achieve economies of scale or offer an 'end-to-end', or vertically integrated, offering

Certain niche markets offer significant opportunities, such as particular types of lending

Increasing presence of non-traditional new entrants such as technology or non financial services companies



THE HUNTSWOOD DUE DILIGENCE MODEL



BUSINESS MODEL ANALYSIS

Analysis of conduct and financial crime risks that may be inherent in the business model of firms. In particular we will consider where and how the firm makes its money.

SENIOR MANAGEMENT & GOVERNANCE

Confidence over senior management and governance arrangements is imperative for any successful acquisition - all the more so, given the regulatory requirements of the Senior Managers Regime.

CULTURE

The FCA has cited shortcomings in a firm's culture as the key root cause of previous issues. As such, the regulator is applying increased scrutiny in this area.

CONTROLS: RETAIL CONDUCT

Determine the effectiveness of the firm's conduct controls, including three lines of defence, policy suite, training and competence, complaint handling, and quality of MI.

CONTROLS: FINANCIAL CRIME

Determine the effectiveness of the firm's financial crime controls, including AML, anti-bribery, sanctions and fraud.

BACK BOOK REVIEW

Following a review of the firm's control and operating environment, a risk-based approach can be devised to review historic files including sales, claims, complaints or KYC checking.

THE BENEFITS OF AN EFFECTIVE DUE DILIGENCE REVIEW

Undertaking a due diligence review will provide your firm with the assurance that you have a clear view of any inherent, present or future risks that you are exposed to

PROVIDES TRANSACTION ASSURANCE

REGULATORY APPROVAL

Increases prospect of FCA transaction approval

PRICING ASSURANCE

Any issues identified may be able to be discounted from upfront acquisition costs

MITIGATES FINANCIAL CRIME RISK

Reduces exposure to financial crime risks which could be detrimental to a firm legally as well as damaging to their reputation

MITIGATES POTENTIAL LEGACY AND FUTURE RISK

RISK ANALYSIS

Provides assurance that there are no 'skeletons in the closet' which helps to mitigate the potential of legacy and future risk

REPUTATIONAL RISK

Provides assurance to the buyer with regards to reputational risk and evidences that any potential concerns were investigated by an independent party

REDUCES COST

FINES AND CENSURE

Protection for the buyer from excessive fines and penalties associated with potential or crystallised firm risk

INABILITY TO SEEK / OBTAIN RESTITUTION

After a transaction has taken place, acquiring firms may struggle to obtain restitution for any historic issues identified

PROVIDES ONGOING REGULATORY ASSURANCE

EVIDENCES COMPLIANCE

The FCA will seek assurance that any regulated firm post-purchase is operating compliantly

BEST PRACTICE

Aligns to regulatory expectations and industry best practice prior to completion of the deal



HEDI LOUIS
CONSULTANT

WHY HUNTWOOD



REGULATORY TECHNICAL EXPERTISE

We are conduct and financial crime risk specialists (not auditors or accountants). Huntswood is appointed to the FCA Skilled Person Panel for the provision of 'conduct of business' and 'governance and individual accountability' skilled person reviews, and are recognised as leaders in this space.



OPERATIONAL EXPERTISE

We offer a completely impartial and independent approach to regulatory due diligence that provides you with the level of assurance required.



COMMERCIAL, CONFIDENTIAL AND PRAGMATIC

We can help you to be commercially compliant and use our experience to provide value-added insight in this regard. As part of any due diligence engagement, we work to maintain the highest degree of integrity and client confidentiality.



TRACK RECORD

Our significant track record of successfully supporting firms through M&A activity enables us to apply industry best practice and guide firms through complex and potentially risky issues.

We have extensive knowledge of regulatory due diligence with our consultants bringing direct industry and regulatory experience in this area - which is enhanced further by our regular interaction with the regulator.



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