



SESAME
BANKHALL
GROUP.

**How to prepare
for a trade and
asset purchase**

ExitPathway.

Selling your business is a significant decision, and it's crucial to get it right. That's where Bankhall comes in. Unlike traditional mergers and acquisition (M&A) brokers, we work closely with you to help prepare your business for sale.

We thoroughly examine everything from data quality to regulatory and compliance standards. By identifying and fixing potential issues before a buyer sees them, we help protect and often increase your sale value. Our expertise in risk and regulation also streamlines the due diligence process, reducing the chance of delays or last-minute deal breakers. If there's untapped growth potential in your business, we'll highlight it, giving you the chance to boost your valuation before going to market.

We don't stop there. We use our extensive Sesame Bankhall Group network to help find the right buyer who aligns with your goals, values, and culture. When it's time to negotiate, we're with you every step of the way, from initial discussions to exchange and completion.

With trusted consultancy, practical tools, and end-to-end support, we're your proactive partner for life, whether you're ready to sell now or preparing for the future.

How to prepare for a trade and asset purchase

When speaking to acquirers it is important to be prepared with information, but also to be candid about your plans post-acquisition. This will help the acquirer shape the deal in the most appropriate way.

There is some key information you can pull together when embarking on the sale of your assets to ensure the process is smooth and efficient:

1. Identify assets

- Data is key in any business sale. Poor quality data will make any potential acquirer wary. It's important to collate data on your customers including customer segmentation, a breakdown of; age, demographics, geographical location, which investment platforms are used and centralised investment proposition (CIP) including a breakdown of costs and charges.
- A breakdown of your annual reviews, and when they were last completed. It's important any missed reviews are also included with any documentation surrounding this such as letters issued to the customers and the processes followed.
- Be prepared with information on the service proposition including service levels and fees. It's also important to confirm details as to how customers like to be contacted (online or in-person).
- For staff transferring, details of employment terms.
- If you have staff that will not be employed by the acquirer post-acquisition, it's sensible to consult with a HR specialist on how to navigate potential redundancies and the drafting of any settlement agreements.

2. Due diligence preparation

- Have a copy of provider statements for the last 12 months reconciled to bank statements.
- Ensure any contracts, agreements, or legal obligations associated with the customers are up to date. This helps identify potential legal or compliance risks.
- Regulatory compliance: Ensure you have a copy of your professional indemnity (PI) cover and application available, quotes for run off cover so you are aware of post-deal costs, copies of compliance audits, your new business register, complaints register, details of high-risk business (structured products, defined benefit pension transfers, film partnerships, venture capital trusts and enterprise investment schemes). Ensure customer files are up to date ready for a file review.

3. Negotiation and asset purchase agreement (APA)

- Be prepared to negotiate the terms and conditions of the APA, covering aspects such as purchase price, payment terms, representations and warranties, and any conditions precedent to the closing.
- Ensure you have provisions for indemnities, liabilities, and any contingencies that might arise post-transaction.
- Ensure you have legal counsel in place that has experience in the financial services field.

4. Financing the purchase

- Ensure you understand the sources of finance for the acquirer and their ability to pay both initial consideration and any deferred consideration.

5. Operational and strategic integration

- Ensure you understand how the acquirer plans to integrate your customer bank into their own firm considering any differences in investment approach, charges and service levels.
- Communication with staff and customers' needs to be meticulously planned to ensure a smooth transition, work closely with the acquirer on this messaging.
- Ensure staff contracts are up to date, staff handbooks, details of holidays, bonus, pensions, pay, time off due to sickness and any disciplinary action.

6. Closing the deal

- Final approvals: Obtain all necessary internal and external approvals to finalise the purchase.
- Transfer of assets: Execute the final transfer of assets, ensuring all relevant documentation is completed and all regulatory filings are done.

7. Post-acquisition review

- Monitoring and adjustment work with the acquirer to understand regular feedback points as to how the transition is going and be on hand to help with any difficulties with bringing over clients.

Considerations for staff

Whilst this transaction is not normally as tax efficient as a share sale, quite often for smaller companies this is the only option buyers are willing to consider. If they are taking on your staff TUPE may apply.

TUPE stands for **Transfer of Undertakings (Protection of Employment)**. It's a UK employment law designed to protect employees' rights when the business they work for changes hands. Here are the key points:

Key aspects of TUPE

TUPE ensures that employees' terms and conditions of employment are preserved when a business or part of a business is transferred to a new employer.

When it applies:

- Business transfers: When a business or part of it is sold or transferred from one employer to another.
- Service provision changes: When services are outsourced, insourced, or transferred to a new contractor.

Employee rights:

- Employees automatically transfer to the new employer with their existing terms and conditions.

- Continuity of employment is maintained, meaning their length of service is preserved.
- Employees must be informed and consulted about the transfer.

Employer obligations:

- Both the outgoing employer (transferor) and the incoming employer (transferee) must inform and consult with employees or their representatives about the transfer.
- They must provide specific information about the transfer, including the reasons for it, the implications for employees, and any measures that will be taken in relation to employees.

Potential risks:

- Failure to comply with TUPE regulations can result in legal claims and financial penalties.

Practical example

A financial advice firm is being sold to another company. Under TUPE, the employees of the financial advice firm would transfer to the new company with their existing employment contracts intact. The new employer would need to honour their current terms and conditions, such as salary, holiday entitlement, and pension rights.

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