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THE RETURN OF REGULATION

After what will be a record 2021 in M&A, it's only fair to start to consider the volatility brewing on the horizon. Between inflation, the surge of new COVID-19 cases, supply chain issues and massive geopolitical unrest and, of course, the ever impending "Fed tightening," there is no shortage of "what ifs" keeping bankers up at night. While some of these concerns we've seen before, a near term issue I have my eye on is the tightening federal regulatory structures.

While the regulatory environment is vast, the changes made in the past year are causing two M&A-related issues.

INFLUX OF DEALS

The first has to do with deal flow.

There are simply so many deals happening, the SEC, DOJ and FTC are overwhelmed by transactions. The typical review periods have long been tossed out the window.

In response to this, the M&A industry will have no choice but to adhere to an inevitably longer processing time. With longer transaction periods, we should anticipate a queue. Even transactions that won't face much opposition will be delayed.

The Biden administration is also cracking down on the antitrust environment. We already have a closer eye on transactions as they work to establish more "free-flowing competition". This less deal-friendly environment is a change of pace from recent years and will certainly put a damper on M&A activity. We will likely see a cooling effect across most sectors and regulators will be far more restrictive than in the past. This isn't a seismic event, but aftershocks will be felt here and there. It's inevitable.

SPAC MARKET CHANGES

Secondly, issues stemming from the changing regulatory structures are also affecting the SPAC market. The SEC has become more sensitive to certain speculative SPAC deals and is taking far more time to scrutinize transactions. This new "fine-tooth comb" approach by them will invalidate some transactions, as

was seen with Bill Ackman's deal, but most will go through with a longer and more involved review process. The eventual outcome will be a push to improve the quality of transactions and reduce the number of more speculative companies going public through the SPAC process.

With Chairman Gensler's focus on protecting investors, I think we will see him pave the way for a more healthy, trusted and sustainable SPAC market. Yet, in the short-term, Gensler's focus will certainly put a chill on SPAC mergers for the time being.

A ROBUST M&A MARKET, THROUGH 2021 REGARDLESS

While transaction times and scrutiny will increase, it's not all bad news for the M&A market. There was a historic flurry of M&A activity in the first half of the year that will come to market in the second half of the year, and bankers everywhere are working

overtime in order to meet client demand. Toss in trillions of dollars

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of stimulus money that's being pumped into the economy and an accommodating Fed, and it's easy to see why we're confident M&A activity will remain robust through year-end and into 2022, despite all the red flags.

So yes, antitrust crackdowns and longer wait times will influence larger mergers and have a cooling effect on the current market, but if the regulatory environment didn't, something else would. At the end of the day, what goes up, must come down.

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