Glossary

- **Abnormal return**: In event studies, the part of the return that is not predicted; the change in value caused by the event.

- **Acquisition**: The purchase of an asset such as a plant, a division or even an entire company.

- **Acting in concert**: Two or more investors acting together to achieve a common goal. For example, a number of relatively large investors may accumulate a major position in a security in an attempt to influence management decisions.

- **Arbitrage**: The purchase of an asset for near-term resale at a higher price. In the context of M&As, risk arbitrage refers to investing in the stock of takeover targets for short-term resale to capture a portion of the gains that typically accrue to target shareholders.

- **Chinese wall**: An imaginary separation placed between a brokerage firm’s investment banking business and its trading and retail business. A Chinese wall prevents investment bankers who frequently are privy to information that could substantially influence the price of a client’s securities from leaking that information to the firm’s traders and sales personnel. The exchange of such information is legally prohibited.

- **Circuit Breaker**: A system to curb excessive speculation in the stock market, applied by the Stock Exchange authorities, when the index spurts or plunges by more than a specified per cent. Trading is then suspended for some time to let the market cool down.

- **EDGAR**: EDGAR (Electronic Data Gathering, Analysis and Retrieval System) is an electronic system formulated by Securities Exchange Commission, USA, which is used by companies to transmit documents.
required by SEC relating to corporate offerings and ongoing disclosure obligations.

- **EDIFAR**: EDIFAR is Electronic Data Information Filing and Retrieval system. Securities and Exchange Board of India (SEBI) in association with National Informatics Centre (NIC) has set up the EDIFAR to facilitate filing of certain documents/statements by the listed companies online on the Web site (www.sebi.gov.in). This would involve electronic filing of information in a standard format by the companies.

- **European Economic Community (ECC)**: A group of Western European countries that have joined together to promote trade, economic and political cooperation. Essentially the EEC represents an attempt to combine a group of countries into a single economic unit.

- **Event study**: An empirical test of the effect of an event (e.g. a merger, divestiture) on stock returns. The event is the preference date from which analysis of returns is made regardless of the calendar timing of the occurrences in the sample of the firms.

- **Hostile takeover**: A tender offer that proceeds even after it has been opposed by the management of the target company.

- **Inside information**: Details of company’s affairs that are known by its directors and officers but are not yet released to the public.

- **Insider trading**: The illegal buying or selling of securities on the basis of information that is generally unavailable to the public.

- **Investment Banker**: A securities broker and dealer firm that underwrites primary issues.

- **Junk bonds**: Any corporate bond that is rated below Standard & Poor’s BBB or equivalently below Moody’s Baa, is a junk bond. Such bonds are riskier than investment-grade bonds, which have higher ratings.
• **Scienter:** It literally means 'knowingly or willfully' that the defendants had a degree of knowledge that makes the individual legally responsible for the consequences of their act and that they had an actual intent to deceive or defraud.

• **Self-regulatory Organisation (SRO):** A member-operated organisation that establishes and enforces minimum standards and rules of conduct. The National Association of Securities Dealers (NASD) is an example of SRO.

• **Spin-off:** A type of sell-off in which a parent company distributes shares on a pro rata basis to its shareholders. These new shares give shareholders ownership rights in a division or part of the parent company that it is sold off.

• **Swap Ratio:** This is an exchange rate of the shares of the companies that would undergo a merger. This is calculated by the valuation of various assets and liabilities of the merging companies.

• **Synergy:** 2+2=5 effect. The condition of the output of a combination of two entities being greater than the sum of their individual outputs.

• **Takeover:** The acquisition of controlling interest in a firm. Although the term is often used to refer to acquisition by a party hostile to the target’s management, many takeovers are friendly.

• **Tender Offer:** A method of effecting a takeover via a public offer to target firm shareholders to buy their shares.