M&A PLAYBOOK

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Where the M&A Words Come From

"The linguistic roots of modern deal making."

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01. Escrow Mechanism

The term escrow derives from the Old French word *escroue*, meaning a parchment scroll, and historically referred to important deeds entrusted to a neutral third party pending the fulfillment of specified conditions. In modern transactional practice, escrow serves as a risk allocation mechanism that bridges the trust gap between buyer and seller by ensuring that assets and consideration are released only upon satisfaction of agreed conditions.

Whereas monasteries and church officials once acted as custodians of trust, this role is now performed by international banks and law firms.

02. Lock-up

The term lock-up originates from its ordinary meaning of physically securing or restricting access, denoting a temporary state of closure or immobilization. Over time, it was adopted into corporate and capital markets practice to describe contractual restrictions on the transfer or disposal of assets. In modern M&A transactions, a lock-up functions as a stabilization and alignment mechanism, whereby shareholders, sellers, or management are contractually prevented from transferring their shares for a specified period following signing or closing. Although rooted in a simple notion of restraint, the lock-up has evolved into a sophisticated transactional tool aimed at preserving value, ensuring post-closing commitment, and maintaining market confidence during sensitive transitional phases.

03. Chinese Wall

The term Chinese wall originates as a metaphor for an impenetrable barrier, derived from the Great Wall of China, and was later incorporated into legal and financial practice to denote internal information barriers established to mitigate conflicts of interest.

In contemporary M&A and transactional settings, a Chinese wall operates as an institutional mechanism that preserves confidentiality and professional independence by preventing the exchange of sensitive information between teams representing different clients or acting on opposing sides of a transaction. Although the metaphor is historical, the function it serves is firmly grounded in modern professional ethics: safeguarding neutrality, integrity, and trust within complex advisory environments.