

# Research on Financial Risks and Compliance Challenges in Cross-Border Mergers and Acquisitions

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**Abstract:** With the acceleration of global economic integration, cross-border mergers and acquisitions (M&A) have become an important strategic tool for companies to expand international markets and optimize resource allocation. However, the complexity and uncertainty of financial risks and compliance issues in the process of cross-border M&A pose significant challenges to the success of M&A transactions. This paper systematically analyzes the main types of risks and their interactions in cross-border M&A from the perspectives of financial risks and compliance. Through specific case studies, this paper reveals the constraints imposed by the legal systems, tax policies, and antitrust laws of different countries on the success of M&As and proposes effective risk management and compliance control strategies. The research findings indicate that financial risks and compliance risks in cross-border M&A are interrelated, and companies should consider both types of risks in the M&A decision-making process. By establishing an effective risk management framework and compliance review mechanism, companies can reduce the likelihood of M&A failure. This study provides a theoretical basis for risk management and compliance control in cross-border M&A and offers guidance for M&A decision-makers in practice.

**Keywords:** Cross-border M&A; Financial Risks; Compliance Control; Globalization

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## 1. Introduction

### 1.1 Research Background

With the acceleration of global economic integration, cross-border mergers and acquisitions (M&A) have become an important means for enterprises to expand markets, acquire resources and technology, and achieve strategic goals, as a key component of global capital flows. In recent years, the scale and frequency of cross-border M&As have been increasing, especially under the backdrop of economic globalization, technological advancements, and highly integrated capital markets. Through cross-border M&As, companies can rapidly achieve resource integration and market positioning, thereby driving the restructuring of global industrial chains and deep integration of international capital markets.

However, cross-border M&As are not merely the simple flow of capital; they involve complex financial risks and compliance issues. The laws and regulations of different countries or regions, cultural differences, market structures, and economic environments can all have a profound impact on the success or failure of cross-border M&As. These financial risks and compliance issues not only affect the operating and financial conditions of the acquiring company but may also pose threats to national economies and the stability of global capital markets. Therefore, in-depth research into the financial risks and compliance issues in cross-border M&As holds significant theoretical and practical importance.

## 1.2 Research Significance

The financial risks and compliance issues in cross-border M&As have become a hot topic in both academic and business circles in recent years. Companies often face financial risks such as exchange rate fluctuations, financing costs, and tax differences when conducting cross-border M&As. At the same time, the legal regulations, supervisory policies, and international antitrust laws of various countries impose significant compliance challenges on M&A activities. If these risks and compliance issues are not effectively identified and controlled, they may lead to the failure of M&A transactions, even severely impacting the financial stability, corporate reputation, shareholder interests, and international economic cooperation of the enterprise.

Therefore, this paper aims to conduct an in-depth analysis of the major financial risks and compliance issues faced by enterprises during cross-border M&As, exploring their causes and manifestations, and proposing corresponding risk management and compliance assurance measures. The goal is to provide theoretical support and practical guidance for enterprises, while also offering insights for policymakers. By analyzing financial risks and compliance issues, this research helps multinational companies better understand the potential challenges in M&As and formulate effective risk response strategies to ensure the success of their M&A activities.

## 1.3 Research Objectives and Questions

The main research objective of this thesis is to analyze the financial risks and compliance issues involved in cross-border M&As and explore corresponding management strategies. Specifically, this study aims to answer the following core questions:

What are the main financial risks faced by enterprises during cross-border M&As? How do these risks affect the financial performance and the achievement of strategic goals in M&As?

In different legal and market environments, what specific compliance issues arise in cross-border M&As? How should enterprises address these compliance challenges?

How can an effective risk management framework be built to reduce the negative impact of financial risks and compliance risks on cross-border M&As?

What management measures and strategies should enterprises adopt to address the financial risks and compliance issues in cross-border M&As, ensuring the successful implementation of the M&A?

## 2. Financial Risk Analysis in Cross-Border Mergers and Acquisitions

### 2.1 Definition and Classification of Financial Risks

In cross-border mergers and acquisitions (M&A), financial risk refers to the potential losses triggered by external economic conditions, market changes, and the complex capital flows and capital structures involved in cross-national transactions. Financial risk management is a critical part of the cross-border M&A process and can be categorized into the following types:

#### 2.1.1 Financial Risk

Financial risk refers to potential financial losses related to the flow of funds, capital structure adjustments, and other financial factors in cross-border M&A transactions. The specific types of financial risks include:

**Exchange Rate Fluctuation Risk:** Since cross-border M&A often involves transactions in different currencies, exchange rate fluctuations can significantly affect transaction costs and the flow of funds. For instance, if an M&A transaction occurs between the domestic currency and a foreign currency, exchange rate fluctuations may cause changes in the actual payment amount, thereby increasing or decreasing the acquisition cost.

**Liquidity Risk:** During cross-border M&A, companies may face difficulties in funding allocation or increasing financing challenges, especially in volatile capital markets. Liquidity risk can affect the smooth progress of the M&A transaction and may also impact the allocation and efficiency of funds during post-merger integration.

**Capital Structure Risk:** Cross-border M&As often involve adjustments to capital structures, particularly when leveraged buyouts (LBO) or high levels of debt financing are used. Excessive debt burdens can increase financial risks for the company. If the post-merger financial situation does not meet expectations, it may lead to difficulties in debt repayment or even the risk of bankruptcy.

### **2.1.2 Market Risk**

Market risk refers to potential risks caused by fluctuations in market demand, increased competition, and cyclical changes in industries that impact cross-border M&A transactions. The main types of market risks include:

**Market Demand Fluctuations:** Cross-border M&As may alter the target company's market positioning or lead to the loss of its existing market share. Uncertainty in market demand can affect the effectiveness of post-merger integration and result in failure to achieve expected financial returns.

**Intensified Competition Risk:** In the context of globalization, cross-border M&As may lead to fierce market competition, especially when the transaction involves key markets. Competitor reactions, market entry barriers, and the speed of industry innovation can all influence the final outcomes of the M&A.

### **2.1.3 Credit Risk**

Credit risk refers to the possibility that a party fails to fulfill contractual obligations or defaults during cross-border financing and payment processes. Specific manifestations include:

**Credit Assessment in Cross-Border Financing:** In cross-border M&As, companies typically raise funds through debt financing, equity financing, or other financial instruments. If the financing party has a low credit rating or the transaction involves unreliable financial institutions, it may lead to significantly higher financing costs or even financing failure.

**Default Risk:** In cross-border M&A transactions, parties may default due to issues such as legal, tax, management, or financial concerns. Particularly in cross-national M&As, differences in compliance and enforcement can make defaults harder to predict, and the costs of defaults are generally higher.

## **2.2 Sources and Influencing Factors of Financial Risks**

### **2.2.1 Cross-Border Capital Flow and Financial Market Instability**

In a globalized economic environment, cross-border capital flows are increasingly frequent, and financial market instability exacerbates the risks of cross-border M&As. Volatility in capital markets, policy changes, and financial crises can directly impact the funding arrangements in cross-border M&As. Restrictions on capital flows or market instability may make financing more difficult, thereby influencing the financing structure of M&A transactions. For instance, during financial crises, instability in capital markets and a decline in liquidity can cause funding chains to break, potentially halting M&A transactions.

### **2.2.2 International Exchange Rate Fluctuations and Currency Risks in Cross-Border Transactions**

In cross-border M&As, fluctuations in exchange rates are a significant risk factor. During transactions, parties may need to convert funds into the target country's currency. If exchange rates fluctuate dramatically, the actual payment amount may far exceed expectations, increasing the transaction costs. For example, if an M&A transaction uses foreign currency loans, exchange rate fluctuations may significantly raise the borrower's debt repayment costs.

### **2.2.3 Risk Management Issues in the Use of Cross-Border Financial Instruments**

During cross-border M&As, companies often rely on a variety of financial instruments (such as foreign exchange derivatives, bonds, stocks, etc.) to raise funds and manage risks. Differences in financial market regulatory policies, legal issues regarding financial instruments, and the complexity of cross-border payments can increase financial risks. Additionally, the complex capital structure design in cross-border M&As may lead to improper planning of financing and debt management by the management, thus generating financial risks.

## **2.3 Specific Financial Risk Cases in Cross-Border M&As**

### **2.3.1 M&A Cases During the Financial Crisis**

Take the 2008 global financial crisis as an example: many cross-border M&A transactions were severely impacted by the instability of financial markets. For instance, some cross-border M&As failed to complete due to tight capital markets, stock market crashes, and liquidity problems. Other cases encountered significant financial issues during post-merger integration. These cases reveal the potential threats of financial market volatility on cross-border M&A transactions, especially when market uncertainty is high, and financial risks may become the "killer" for M&A deals.

### **2.3.2 M&A Risks under Exchange Rate Fluctuations**

Exchange rate fluctuations are one of the most common financial risks in cross-border M&As. For example, when an American company acquires a European company, the euro depreciates significantly against the dollar during the transaction. As a result, the American acquirer needs to pay more dollars to complete the transaction, thereby increasing the acquisition cost. Furthermore, exchange rate fluctuations may affect the financial integration post-merger, influencing long-term earnings and profit expectations.

### **2.3.3 Risks from Capital Structure Adjustments**

Some cross-border M&A cases show that companies failed to plan their capital structure properly during transactions, overly relying on debt financing, which increased the financial burden post-merger. For example, a cross-border M&A used leveraged buyout (LBO) financing, and after the merger, the company was unable to repay its loans on time due to excessive debt repayment pressure, ultimately falling into a financial crisis. Such cases demonstrate the importance of paying attention to capital structure risks in cross-border M&As, particularly when using high-leverage financing.

## **3. Compliance Issues in Cross-Border Mergers and Acquisitions**

### **3.1 Overview and Definition of Compliance**

Compliance plays a crucial role in cross-border mergers and acquisitions (M&A), referring to the obligation of all parties involved to follow relevant laws, regulations, international practices, and industry standards throughout the entire transaction process. Compliance not only concerns the legality of the M&A transaction but also whether the parties can successfully complete the transaction and avoid subsequent legal disputes and financial risks.

#### **3.1.1 Core Concepts of Compliance: Regulatory Adherence and International Practices**

The compliance requirements in cross-border M&A include adhering to local legal provisions, international legal frameworks, and industry practices between countries. The scope of laws involved in M&A transactions is extensive, including capital markets, antitrust laws, labor laws, tax compliance, and more, all of which must be carefully examined within different legal jurisdictions. In the context of globalization, compliance extends beyond domestic laws to consider the impact of international cooperation and multilateral agreements on the M&A transaction.

#### **3.1.2 Legal Barriers in Cross-Border M&A: National Sovereignty, Foreign Investment Restrictions, etc.**

A significant legal barrier faced in cross-border M&A is the limitation of national sovereignty. Some countries, in efforts to protect their own economy and industries, restrict foreign investment acquisitions through legal measures. For example, certain countries have approval systems for foreign investment, limiting foreign acquisitions in sensitive industries such as defense, energy, and finance. Additionally, different countries have varying stances on foreign investment, with some adopting an open approach, allowing foreign capital to enter freely, while others impose strict thresholds and review processes, or even completely prohibit foreign investment in certain sectors.

### **3.2 Legal Framework and Compliance Requirements in Cross-Border M&A**

#### **3.2.1 Impact of Differences in National Legal Systems on M&A: Legal Applicability of Acquiring and Target Companies**

There are significant differences in legal systems between countries, which make the legal applicability of cross-border M&A transactions more complex. For example, in the European Union, antitrust reviews are typically conducted by the European Commission, while in the United States, the Federal Trade Commission (FTC) and the Department of Justice handle antitrust reviews. The differences in the legal systems of the acquiring and target companies' countries may result in various compliance requirements, thus increasing legal uncertainties during the transaction process.

#### **3.2.2 Compliance Requirements in Cross-Border M&A for Antitrust Laws, Investor Protection Laws, Labor Laws, etc.**

**Antitrust Law:** Cross-border M&As may result in excessive market concentration, which can affect market competition. Therefore, antitrust review is an essential part of cross-border M&A. Different countries have varying standards for antitrust approval, and some require the acquiring party to conduct a competition review to ensure that the M&A does not lead to market imbalance.

**Investor Protection Laws:** To protect the rights of investors, cross-border M&As must comply with the investor protection

laws of the target company's jurisdiction. For example, some countries have strict announcement and disclosure requirements for public market M&A transactions, requiring the acquiring party to provide comprehensive information.

**Labor Law:** Cross-border M&As often involve employee relocation, transfer of labor agreements, and other issues. The acquiring party must comply with the labor laws of the target company's country to ensure that employees' rights are protected.

### **3.3 Compliance Challenges in Cross-Border M&A**

#### **3.3.1 Differences in National Regulatory Systems and Legal Conflicts**

Cross-border M&As often involve different national regulatory systems, and the differences in laws and regulatory requirements between countries can pose significant compliance challenges. For example, in different countries, financial regulatory bodies may have vastly different requirements regarding the approval process for M&As, antitrust reviews, and capital flow regulations. This necessitates multi-party coordination during the M&A process to avoid conflicts that may result in the failure of the transaction.

#### **3.3.2 Cross-Border Tax Policies and Tax Compliance Issues**

Tax compliance issues in cross-border M&As have always been complex and challenging. Differences in tax policies and regulations between countries can influence the structure and financial arrangements of the M&A. For instance, some countries impose higher tax rates on foreign enterprises, while others offer tax incentives or exemptions, which can affect the overall cost of the transaction. Additionally, issues such as transfer pricing, tax planning, and double taxation in cross-border M&As require special attention and compliance management.

#### **3.3.3 Data Privacy and Information Protection Compliance Issues**

As data privacy and information protection regulations become increasingly stringent, data compliance issues in cross-border M&As have become more prominent. For example, the European Union's General Data Protection Regulation (GDPR) imposes strict personal data protection requirements. When cross-border M&As involve data transfer and storage, parties must comply with relevant laws and regulations. The acquiring party needs to carefully review the target company's data processing practices to ensure that all data storage and processing activities meet legal requirements, in order to avoid data breaches or violations of privacy protection regulations.

## **4. The Interaction Between Financial Risks and Compliance Risks in Cross-Border Mergers and Acquisitions**

### **4.1 The Interaction Between Financial Risks and Compliance Risks**

In cross-border mergers and acquisitions (M&A), financial risks and compliance risks are often intertwined and mutually influential. The interaction between these risks plays a crucial role in the success or failure of the transaction. Therefore, understanding their interplay is fundamental to developing effective risk management strategies.

#### **4.1.1 The Regulatory Role of the Legal Environment on Financial Risks**

Financial risks in cross-border M&A often involve exchange rate fluctuations, liquidity issues, credit risks, and others. The regulatory environment in different countries plays a significant role in governing these financial risks. Regulations often manage financial risks during M&A through policies on capital flows, foreign exchange management, and capital controls. For example, some countries have strict foreign investment regulations that require government approval for cross-border capital movements, limiting the free flow of capital and affecting fund allocation and financing methods. This could increase financial risks for the acquirer. Furthermore, tax policies, market access conditions, and other regulations may also affect financial risks in M&A transactions, especially in terms of capital structure design and financing arrangements.

#### **4.1.2 Financial Market Turmoil and Conflicts in Compliance Execution**

Financial market turmoil may lead to difficulties in compliance execution during M&A transactions. Instability in the financial markets can result in higher financing costs, market valuation fluctuations, and other risks, thus impacting the feasibility and profitability of the transaction. Against this backdrop, compliance requirements in cross-border M&A, such as antitrust reviews and foreign investment approvals, may face new challenges. For example, during financial crises, the volatility of the capital markets may lead to higher uncertainty in financing and valuation processes, increasing the complexity

of compliance reviews. Regulatory authorities may become more cautious, delaying or even rejecting the approval of the transaction. Therefore, fluctuations in the financial markets not only directly impact financial risks but also indirectly affect the management of compliance risks.

#### **4.1.3 Coexistence of Financial Risks and Compliance Risks in M&A Transaction Structures**

In the structure of cross-border M&A transactions, financial risks and compliance risks often coexist. For instance, some M&A transactions may involve complex financing structures, such as debt financing, equity financing, or hybrid financing methods, which introduce potential financial risks while also triggering compliance risks. If the M&A transaction structure does not comply with legal requirements, it could violate antitrust laws, foreign investment approval regulations, and other compliance requirements. In such cases, companies must balance financing methods with compliance requirements, ensuring that financial risks are controlled while adhering to relevant laws and regulations.

### **4.2 Best Practices in Risk Management and Compliance Control**

Financial risks and compliance risks in cross-border M&A need to be coordinated and managed effectively through risk management and compliance control measures. The following are some best practice recommendations to help companies effectively address these dual risks in cross-border M&A.

#### **4.2.1 M&A Strategies Considering Both Financial Risks and Compliance Risks**

When undertaking a cross-border M&A, companies should consider the interaction between financial risks and compliance risks from a strategic level. In the early stages of the acquisition, companies should conduct a comprehensive evaluation of the target company's financial status and legal environment, identifying potential financial and compliance risks. The acquirer should adjust the M&A strategy based on these risk factors, such as selecting appropriate financing methods, planning a reasonable acquisition structure, developing a sound capital flow plan, and ensuring that the transaction complies with the legal regulations of the target market.

#### **4.2.2 How Companies Can Establish a Risk Management Framework to Address Compliance Challenges**

To address compliance challenges, companies should establish a robust risk management framework. This framework should include comprehensive control over compliance checks, legal reviews, and tax planning during the M&A process. Companies need to form cross-departmental compliance teams that work closely with legal, financial, and tax advisors to ensure that all legal and compliance requirements during the M&A transaction are met. In addition, companies should conduct regular compliance audits to identify potential compliance issues and adjust transaction structures and risk management strategies accordingly.

#### **4.2.3 Compliance Review and Financial Auditing Mechanisms in Cross-Border M&A**

Companies should establish compliance review and financial auditing mechanisms in cross-border M&A to ensure that financial and compliance risks in all transaction processes are identified and addressed in a timely manner. Specifically, the compliance review should cover antitrust laws, foreign investment approvals, tax compliance, and other areas to ensure the M&A transaction complies with relevant laws and regulations. Financial audits should ensure that the raising, movement, and capital structure of the transaction funds are reasonable, avoiding issues with capital allocation and liquidity risks. The auditing mechanism should be implemented throughout the entire M&A process, starting from the due diligence phase, continuing through the transaction, and extending into post-acquisition auditing to ensure the effectiveness of risk management.

## **5. Risk Management and Compliance Strategies in Cross-Border Mergers and Acquisitions**

### **5.1 Financial Risk Management Strategies**

In cross-border mergers and acquisitions (M&A), financial risk management is crucial for ensuring that the transaction proceeds smoothly and delivers expected value. Effective financial risk management helps companies mitigate potential losses caused by factors such as exchange rate fluctuations, credit risk, and market uncertainty.

#### **5.1.1 Exchange Rate Risk Management Tools: Hedging Strategies and Financial Derivatives**

Exchange rate risk in cross-border M&A typically arises from currency fluctuations, especially during the process of raising

funds and making payments. If the acquirer needs to make payments in foreign currencies, fluctuations in exchange rates could increase transaction costs. To reduce the impact of exchange rate fluctuations, companies can use financial derivatives (such as foreign exchange futures, options, and swaps) for hedging.

Hedging strategies help lock in future exchange rates for payments or receipts, allowing companies to avoid losses due to exchange rate fluctuations when the M&A transaction is completed. For instance, companies can use foreign exchange forward contracts to fix the exchange rate at a specific point in time, ensuring financial stability. In this way, the capital flow in cross-border M&A can avoid uncertain exchange rate risks, safeguarding the financial stability of the transaction.

### **5.1.2 Credit Risk Management: Credit Evaluation and Transaction Structure Design**

Credit risk refers to the risk of loss due to the failure of a financing party or counterparty to meet its contractual obligations on time in a cross-border M&A transaction. Credit risk is particularly prominent when the deal involves debt or equity financing. To mitigate credit risk, companies can conduct a comprehensive evaluation of their counterparties' credit. This includes investigating and analyzing the target company's financial health, credit history, and past transaction behavior. By involving third-party credit rating agencies, companies can gain a clearer understanding of the counterparty's ability to repay and its creditworthiness, ensuring effective management of the acquirer's risk.

Additionally, in the design of the transaction structure, companies can introduce appropriate guarantees (such as collateral, security deposits, and financing guarantees) to distribute credit risk. For example, adjusting payment terms and only paying acquisition funds after meeting certain financial milestones can help reduce credit risk.

### **5.1.3 Market Risk Management: Financial Forecasting and Risk Identification**

Market risk primarily arises from fluctuations in external market conditions, such as interest rate changes and demand volatility. Managing market risk in cross-border M&A is especially complex because market factors are influenced by global economic changes and political developments.

To effectively manage market risk, companies can establish precise financial forecasting models for risk identification. These models should include predictions about future market trends, competitive dynamics, product demand, and price changes. Furthermore, companies should conduct regular risk assessments and adjust their M&A strategies based on changes in the external market environment. For example, during the early stages of an acquisition, companies should assess the target market's size and growth potential to ensure that the acquisition will continue to create value in the future market environment.

## **5.2 Compliance Control Strategies**

Compliance risk is an unavoidable factor in cross-border M&A, especially because of the differences in legal systems and regulatory requirements across countries. Companies need to develop comprehensive compliance control strategies to ensure the legality and feasibility of the M&A transaction.

### **5.2.1 Compliance Review Process: Legal Review and Compliance Checks in M&A**

The legal review and compliance checks in an M&A transaction are key steps to ensure that the deal complies with laws and regulations, avoiding legal risks<sup>[1]</sup>. First, companies must conduct due diligence on the target company to assess its legal status and identify potential compliance issues. The review should cover various legal documents, including the target company's registration status, tax situation, property rights, and employee benefits.

Additionally, companies should investigate the target company's relationship with government departments and regulatory bodies to ensure there are no significant legal disputes or compliance issues. For cross-border M&A, especially when it involves foreign investment, antitrust review, or sensitive areas like environmental protection, legal reviews are more complex. Companies should develop detailed legal review processes tailored to the industry characteristics and market environment of the target company, ensuring comprehensive evaluation and control of legal risks.

### **5.2.2 Building a Legal Compliance System: Cross-Border Legal Teams and Compliance Reporting Mechanism**

With the globalization of M&A transactions, compliance control in cross-border M&A requires the support of cross-national legal teams. Companies should establish a diversified compliance management system and form cross-national legal teams consisting of experts from various countries and regions to ensure that all M&A transactions comply with local laws and

regulations.

Additionally, companies should establish an internal compliance reporting mechanism to continuously monitor legal compliance issues during the M&A process. Regular compliance reports can help companies detect potential legal risks and take preventive measures. Companies need to ensure efficient communication and collaboration between their cross-national legal teams to ensure full compliance with all requirements during each stage of the M&A process.

### **5.2.3 Adhering to International Compliance Standards: ISO, OECD Standards, etc.**

Compliance control in cross-border M&A should not only consider national legal requirements but also adhere to international compliance standards. For example, ISO standards provide a set of international management system standards that can help companies standardize their compliance management processes. The OECD (Organisation for Economic Co-operation and Development) has also formulated a series of international guidelines on anti-corruption, cross-border M&A, and tax compliance, among others. Companies involved in cross-border M&A should consider these international compliance standards to ensure the legality of the transaction process.

Adhering to international compliance standards not only helps mitigate compliance risks but also enhances a company's reputation and competitiveness in the global market. Particularly in areas such as cross-border tax compliance, antitrust approval, and data privacy protection, companies should fully understand and comply with international compliance standards to ensure the smooth progress of the M&A transaction.

## **6. Conclusion and Future Outlook**

### **6.1 Main Research Conclusions**

#### **6.1.1 Key Characteristics and Challenges of Financial and Compliance Risks in Cross-Border M&As**

The financial and compliance risks in cross-border M&As are highly complex and are primarily reflected in the following aspects:

**Diversity and Uncertainty of Financial Risks:** Cross-border M&As involve various financial risks, including exchange rate risks, credit risks, and market risks. Especially in the context of global economic fluctuations and financial market instability, these financial risks become more unpredictable, requiring companies to adopt diversified risk management strategies.

**Transnational and Complex Compliance Challenges:** Due to differences in legal systems across countries, cross-border M&As often face issues such as legal conflicts, tax compliance, and antitrust approvals[2]. The varying regulatory systems, legal standards, and industry requirements across different regions pose significant challenges to the smooth execution of cross-border M&As.

**Interaction Between Financial and Compliance Risks:** In cross-border M&As, financial and compliance risks often occur simultaneously and influence each other. Market and credit risks may lead to delays or failures in the compliance review process, and conversely, compliance conflicts can affect the financing structure and financial arrangement of the M&A transaction<sup>[3]</sup>.

#### **6.1.2 Innovations in Risk Management and Compliance Control Theories and Practices**

**Innovation in Risk Management Theory:** Through a systematic analysis of financial risks and specific case studies of cross-border M&As, a series of new risk management strategies are proposed, including integrated hedging tools based on market, credit, and exchange rate risks, helping companies better control financial risks during the M&A process.

**Innovation in Compliance Control Practices:** This research introduces a cross-national legal team collaboration mechanism and a compliance review process for cross-border M&As, providing a clearer and more practical compliance management framework<sup>[4]</sup>. Furthermore, the integration of international compliance standards (such as ISO and OECD guidelines) helps companies better navigate the complexity of legal environments and compliance challenges.

## **6.2 Research Contributions and Innovations**

### **6.2.1 Unique Perspective and Contributions of This Study on Financial and Compliance Risks in Cross-Border M&As**

This study provides the following unique perspectives and contributions through a comprehensive analysis of financial and compliance risks in cross-border M&As:

Interaction Theory of Financial and Compliance Risks: The study introduces the theory of the interaction between financial risks and compliance risks, analyzing the mutual influence and synergy between these two types of risks in cross-border M&As<sup>[5]</sup>.

Cross-National Legal Team Collaboration Mechanism and Risk Management Strategies: The study introduces the “Parallel Management Model for Financial and Compliance Risks,” providing a new theoretical framework and practical guidance for managing risks in cross-border M&As.

## 6.2.2 Supplementing and Improving Existing Literature and Theories

This study not only enriches the theoretical framework of risk management in cross-border M&As but also fills a gap in the research on compliance issues in cross-border M&As<sup>[6]</sup>. By comprehensively analyzing the legal differences between countries, market risks, credit risks, and other related issues, this study provides practical and feasible compliance control frameworks and financial risk management solutions for cross-border M&A practices. Additionally, the research discusses issues such as financial market volatility, international investment flows, and legal compliance barriers in cross-border M&As, thereby supplementing the gaps in existing literature.

## 6.3 Future Research Directions

### 6.3.1 In-depth Research on the Risk Management and Compliance Challenges in Emerging Markets

With the rise of emerging markets, an increasing number of cross-border M&As are involving these countries<sup>[7]</sup>. However, the financial systems, legal environments, and market stability in emerging markets still carry uncertainties. Future research can focus on the risk management and compliance challenges in these markets, exploring the unique risks encountered when conducting cross-border M&As in these regions and proposing corresponding risk management strategies.

### 6.3.2 Broader Legal Frameworks and the Impact of Global M&A Environments on Cross-Border M&As

With the acceleration of globalization, the legal environments for cross-border M&As have become increasingly complex. Future research could explore broader international legal frameworks, such as global trade laws, international investment laws, anti-money laundering regulations, and their impact on cross-border M&As<sup>[8]</sup>. Particularly in the context of more stringent global regulations, how to address the legal risks encountered in cross-border M&As becomes an important research topic.

### 6.3.3 The Impact of Technological Advancements on Compliance and Financial Risk Management in Cross-Border M&As

With the rapid development of technology, particularly emerging technologies like artificial intelligence, big data, and blockchain, cross-border M&A compliance and financial risk management face new challenges. Technological advancements may bring innovative tools for risk management, such as blockchain-based cross-border payment systems and smart contracts. However, the application of technology may also introduce new compliance issues, such as data privacy concerns and cybersecurity risks. Therefore, future research should focus on exploring how technological advancements impact risk management and compliance control in cross-border M&As, and propose corresponding countermeasures<sup>[9]</sup>.

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