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A literature review of legal issues and framework for mergers and acquisitions process

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Abstract
This paper is a compilation of the most important legal procedures and actions that are required to be carried out in order to successfully complete mergers and acquisitions at a domestic and cross-border level from a legal perspective. So, tries to explore and outlines the legal framework for mergers and acquisitions of businesses and banks. For this reason it demonstrates the legal stages that must be followed in order to rationally integrate M&As while protecting the interests of both parties involved, i.e. both the acquirer and the target. Moreover this study focuses mainly on the legal framework and rules concerning M&A taking place within the European Union both domestically and cross-border. With the growing importance of international markets, many firms find themselves subject to foreign competition laws, especially those of the European Union. The aim of this work is to present and gather the legal framework of M&A guiding future scientist who are going to be occupied with this issues. It also draws the attention of legal advisors to the legal specificities that exist even between European Union states, in order to conduct and complete a cross-border M&A correctly from a legal perspective. Particular attention needs to be paid by legal advisors when they are faced with a cross-border M&A, which will however take place outside European borders. In this case, a thorough study of the legal framework of the non-European country in which the M&A will be carried out by the acquiring company from a European country is required. The research problem of the present study referred to which aspects of contract law can the negotiating parties use on in order to achieve the best possible outcome.

Keywords: Mergers & acquisitions, law issues, legal framework

Introduction

Mergers and acquisitions (M&As) are the different ways companies are combined. Entire companies or their major business assets are consolidated through financial transactions between two or more companies. A company may (Hayes A., 2024) [5]:

- Purchase and absorb another company outright
- Merge with it to create a new company
- Acquire some or all of its major assets
- Make a tender offer for its stock
- Stage a hostile takeover

All of these ways of combining or consolidating assets are M&A activities.

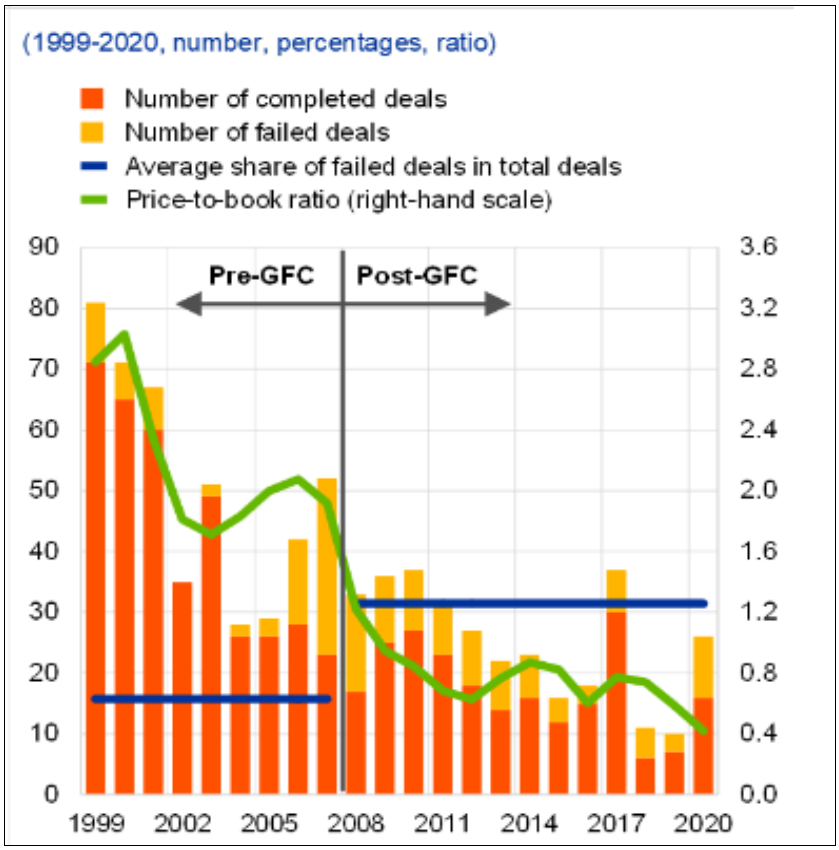
M&A planning is important to all kind of firms of all size, also it is an important process for both businesses and banks. In order to complete it without any impact on the procedures, significant legal support is needed, so that the laws are faithfully applied and at the same time the contractual limits that have been set from the beginning are followed. For this purpose, the legal entities involved must be fully trained in the legal framework of M&A. The issue becomes even more complex in cross-border M&A because in this case the legal support mainly of the acquiring companies or banks must be fully aware of the legal framework of the country in which the target company or bank is based. Domestic M&A deals predominate and often involve a large acquirer and at least one strong company or bank, while cross-border M&A activity varies markedly across countries.

In the European banking sector, M&A constitute an important and distinct process which presents particular mobility, especially after the liberalization of capital, the implementation of the Euro, as well as the elimination of exchange rate risk. The positive impact of M&As also appears to be more pronounced when transactions are executed in a financial crisis as distressed valuations may prove opportune to a well-positioned bidder. At the same time, other studies find that M&As have a slightly negative impact on profitability but a positive impact on cost efficiency. This is interpreted as a sign that cost savings are passed on to customers in a competitive banking market [1].

In the figure 1 to 4 below we present some informations about the completed domestic banks' M&A in Europe from which we can understand that there is significant activity regarding the phenomenon of M&A in the European banking industry. Moreover, in figure 1 we can observe the relations between the completed and failed deals in banks' M&A.

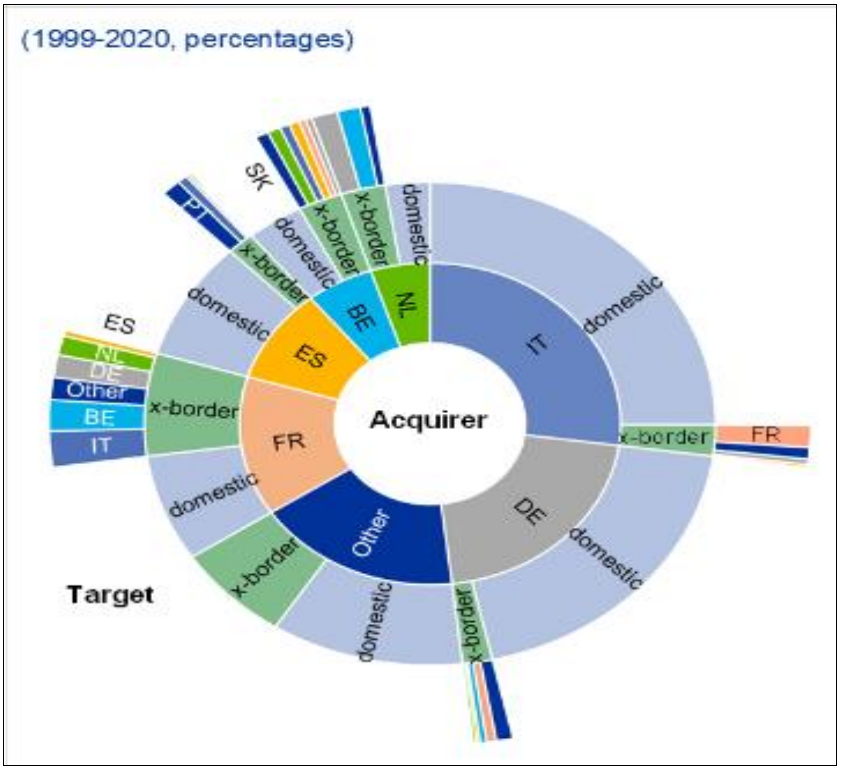
In the European Union, the Community law governing M&A market is called the European Community Merger Regulation Law (ECMRL law). Here there are three main types of transactions, defined as “concentration”, that require regulation. They occur only where there is change in control or change in ownership in that company and may result in mergers, acquisition of sole control or association of companies (joint venture). According to ECMRL law, a merger is the situation where two or more companies join, and at least one entity ceases to exist. However, EU law does not rule out the merger in which entities retain their legal personality, but, in this case, they are united in a single economic unit. When it comes to buying a company’s control, the European law is relating this to any change in the existing control, whether is constituted by rights, contracts or other elements that confer a decisive influence on the company. A change of control is found in three cases: buying the majority stake which involves holding majority voting rights, buying a company’s assets and in this case we

speak of control over a company activities especially when the transaction object is a license or its brand and finally, the last way is the "acquisition by contract", a situation that occurs when there is a contractual economic dependence. In the joint company the decision power is divided under an agreement between partners or shareholders. So, in a joint venture, even if is not actually a transfer of control of a company, each party may limit or block decisions taken by the partner and so this must be regulated by law (Ciobanu R., 2015) [1].



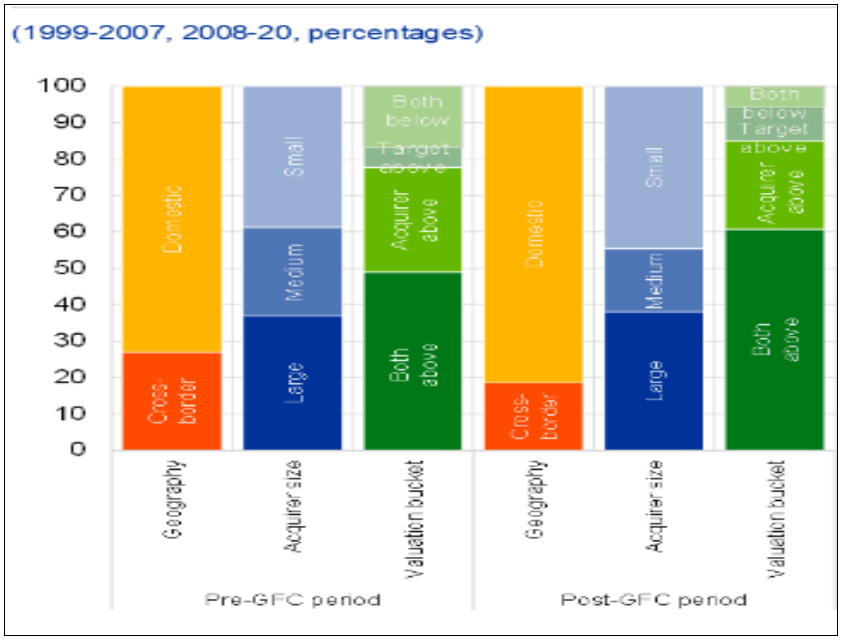
Sources: Dealogic, Orbis Bank Focus, Refinitiv and ECB calculations

Fig 1: Number of completed and failed M&A in the Euro area since 1999



Sources: Dealogic, Orbis Bank Focus, Refinitiv and ECB calculations

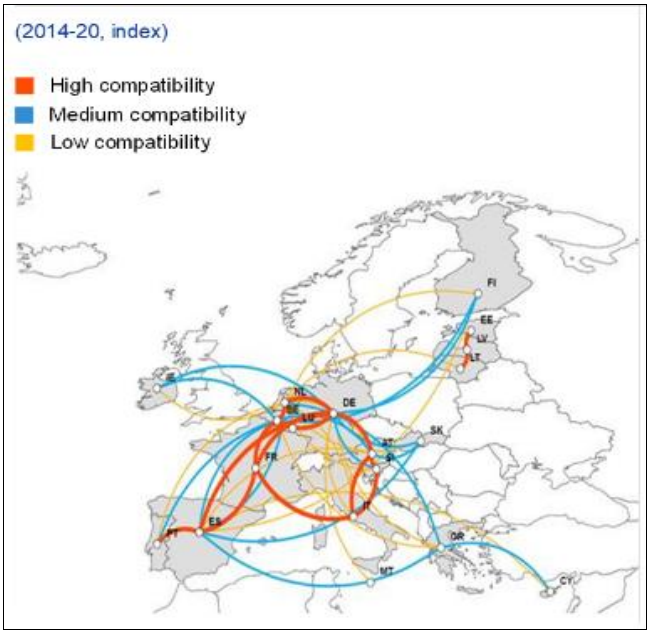
Fig 2: Geographical breakdown of completed M&A transactions in the Euro area



Sources: Dealogic, Orbis Bank Focus, Refinitiv and ECB calculations

Fig 3: Completed M&A deals by location, bank size and valuation of banks involved

Cross-border transactions are likely to emerge within clusters of euro area countries, but actual transactions do not always follow model-implied compatibility



Sources: CEPII, Dealogic, ECB supervisory data, Refinitiv and ECB calculations

Fig 4: Model-implied M&A capability index between pairs in Euro area countries

The principal motivation of M&A is the desire to expand the capital assets of the company or bank. Kyriazopoulos G., and Petropoulos D., (2010) [9], Filios (1994) [4], and Yeager, C.F. & Neil, E.S. (1995) [11] in their study declared and ranked the main advantages of M&A in banking sector. They said that one of the first issues which deserves particular attention in a proposed banking merger is to be determined the incitement for the suggested union. The fact that M&A will result in a bank larger than what each individual bank was before the occurred M&A is not the only reason to take place. In order for a M&A to be justified there should definitely be predetermined and specialized targets. So, they named the following advantages that lead to the buyout and the merging of banks:

1. Economies of scale and of purpose.
2. Tax benefits.
3. Replacement of inefficient, in the wide competitive environment, in specialized issues management and confrontation of the increased competition.
4. Reduction of risk using new techniques of managing financial risk
5. The exploitation of the comparative advantage and the acquisition of oligopoly power.
6. Maximization of shareholders 'return.
7. Infiltration into new markets and their exploitation more easily.
8. Creation of a new commercial logo and the supply of products and services at a competitive cost and high added value.
9. More efficient confrontation of the phenomenon of disintermediation.

Filios (1994) [4], Yeager, C.F. & Neil, E.S. (1995) [11] and Kyriazopoulos G., and Petropoulos D., (2010) [9], in their study also declared and ranked the main disadvantages of M&A in banking sector. They said that the possible difficulties, that should be weighed and examined properly, counterbalance sometimes the strong advantages, which result from one M&A. Some of the possible disadvantages are:

1. The difficulties that arise for the personnel of the target banks to get acquainted with the new fellow staff, the new policies and the new procedures. The possibility that the bank that will be created after the merger will have surplus personnel in some departments or positions. Jealousies and internal competition as well as frictions that often take place among the staff members of the merged banks. Also, could be problems of branches and other facilities that might not be needed after the merger and could not be leased or sold. There arise considerable difficulties of adjustment such as the

unification of the different corporate cultures of the banks, of the different salary scales, of the subsidies and benefits and of the different ways of promotions. Moreover, in some instances of mergers there will be required, new logos, new writing material, new forms or publications etc., and thus new stocks for expendable supplies and equipment items that already exist at an additional cost.

2. The uncertainty with regards to the approval of the M&A by the proper authorities with local legal issue problems.
3. A possible overoptimistic projection for the size of profitability that will result from the combination of operations of the merged banks will have as a result the buying bank to pay an exorbitant price for the bank being bought out.
4. In many cases, the returns of the share of the banks that made buyouts of other banks was lower than the return of the sector as a whole. The shareholders of the bank that made the buyout profit while the shareholders of the bank which was bought out lose
5. If the domestic market is fully integrated and competitive, there is not much room for acquiring a bigger share of the market and that on the condition that the products being offered are differentiated by high quality and technology.
6. The cost reductions that are achieved through the economies of scale and spectrum and the synergies are a one-time reduction.
7. High social cost because it is usually observed a reduction in employment resulting from lying off personnel.

Literature review

All the countries in European Union and the most of the developed country of the world have an M&A specific legislation and attempts to impose notification, control and intervention procedures in their stock markets if the transactions are likely to influence a particular industry or market as a whole. So, in this study we considered it necessary to present first the definitions of M&A before we referred the legal issues and the framework of them.

Feito-Ruiz and Menéndez-Requejo, (2011) [3] in their study noted that institutional and regulatory framework of two countries is a major determining factor when it comes to cross-border M&A deals.

Mergers and acquisitions are always strategic decisions regardless of the background of the executer. They also always demand a lot of resources and when planning on carrying out one, it is worthwhile to contemplate, whether the transaction is necessary or even possible (Katramo *et al*. 2013) [8].

In the relevant scientific literature, most publications and studies present the enormous importance of M&A transactions in the context of growth and profit targets and the accompanying value increase of an enterprise, but they lack detailed information on the process of structuring the M&A transactions in the context of business sustainability (Saat *et al* 2014) [14].

Ciobanu R., (2015) [2] showed that the common law countries are considered to be business friendly, so a low number of tax payments and a low number of days required to start a business is recorded in these states. There is an opposite situation in the French and German civil law countries.

The study of Xie, *et al* (2017) [15] referred to country-specific determinants of cross-border M&A and they found that the host country's laws regarding finance, taxation, and corporate governance have a positive impact on inward acquisitions. The influence of geopolitical, regulatory, and cultural differences is moderated by the target country's market size, resources, and weak institutional laws, especially taxes and can influence cross-border M&A deals and can influence the type of FDI (horizontal or vertical).

The study of Lahdelma (2019) [10] explained that in Mergers and acquisitions can have different forms as can the negotiations. There is a variety of process possibilities for conducting the negotiations that affect both the phases of the negotiations and the benefits gained in them. Non-disclosure agreements, preliminary contracts, and the due diligence investigations rise above others with their importance within the instruments of contract law. By using these, as well as the other contract tools, and acknowledging the boundaries set by contract legislation, the negotiating parties can reposition themselves in the negotiation proceedings with the goal being the best possible final contract for an individual. The possible long duration of the negotiations and the complexity of them make it difficult for the parties involved to reach an optimal contract that would also benefit both parties after the deal is done.

In the pre-deal stage of M&As, senior management establishes financial parameters that guide target selection, drawing on resources such as internal cash flow, equity, and debt markets (Ott 2020) [12]. While financial theory suggests that funding can be secured if the acquisition meets its cost of capital, managerial risk tolerance often dictates the actual financial commitment (Hemrajani *et al*. 2023) [7].

Gardella A., *et al* (2020) [6] in their work emphasized that within the regulatory framework, two broad categories of potential obstacles can be identified: i) ring-fencing and pre-positioning of resources at the local level, which lean against centralised (group-wide) strategies of capital and liquidity management; and ii) fragmentation of the regulatory framework, ultimately endangering the comparability of institutions and businesses across countries.

According to Hayes A., (2024) [5], in a merger, the boards of directors for two companies approve the combination and seek shareholders' approval. This type of M&A activity is designed to boost both brands, allowing each to bring their existing strengths to a new company and create a bigger piece of the industry pie for the new company that is formed. In a simple acquisition, the acquiring company obtains the majority stake in the acquired firm, which does not change its name or alter its organizational structure. In some cases, the target company may require the buyers to promise that the target business remains solvent for a period after acquisition through the use of a whitewash resolution. An acquisition often allows the acquiring company to move into a new or related industry, expanding its offerings by tapping into the acquired company's existing customer base and services. A consolidations in corporate management happened when two or more companies combine to increase their market share and eliminate competition. In a tender offer, one company offers to purchase the outstanding stock of the other firm at a specific price rather than the market price. The acquiring company communicates the offer

directly to the other company's shareholders, bypassing the management and board of directors. In an acquisition of assets, one company directly acquires the assets of another company. The company whose assets are being acquired must obtain approval from its shareholders. The purchase of assets is typical during bankruptcy proceedings, wherein other companies bid for various assets of the bankrupt company, which is liquidated upon the final transfer of assets to the acquiring firms. In a management acquisition, also known as a management-led buyout (MBO), a company's executives purchase a controlling stake in another company, taking it private. These former executives often partner with a financier or former corporate officers in an effort to help fund a transaction. Mergers can be structured in different ways, based on the relationship between the two companies involved in the deal [2]:

- **Horizontal merger:** Two companies that are in direct competition and share the same product lines and markets
- **Vertical merger:** A customer and company or a supplier and company, such as an ice cream maker merging with a cone supplier
- **Congeneric mergers:** Two businesses that serve the same consumer base in different ways, such as a TV manufacturer and a cable company
- **Market-extension merger:** Two companies that sell the same products in different markets
- **Product-extension merger:** Two companies selling different but related products in the same market
- **Conglomeration:** Two companies that have no common business areas of course there some differences between M&A. Acquisition describes a transaction, wherein one firm absorbs another firm via an acquire. Merge is take place when the purchasing and target companies mutually combine to form a completely new entity. Because each combination is a unique case with its own peculiarities and reasons for undertaking the transaction, the use of these terms tends to overlap [3].

Friendly acquisitions are most common and occur when the target firm agrees to be acquired; its board of directors and shareholders approve of the acquisition, and these combinations often work for the mutual benefit of the acquiring and target companies. Unfriendly acquisitions, commonly known as hostile takeovers, occur when the target company does not consent to the acquisition. Hostile acquisitions don't have the same agreement from the target firm, and so the acquiring firm must actively purchase large stakes of the target company to gain a controlling interest, which forces the acquisition [4].

M&A law refers to the branch of corporate law that addresses the area of mergers and acquisitions specifically. It tackles all the legal aspects that come with the process of a M&A, from the negotiation of the deal value to the contract drafting.

M&A as a high risky transactions involves several legal aspects and that's why it's essential for a company to take care of all the legal risks associated with an M&A operation. That's exactly how merger and acquisition law specialists help a company. They communicate with clients, lawyers, and business executives and handle all the documents: from financial statements to intellectual property and the definitive agreement. Generally, all the legal aspects of mergers and acquisitions examples a company deals with can be divided into three main stages [5]:

Getting the deal: Non-disclosure agreements (NDA), Letter of intent (LOI) and Deal structure. 1. Non-disclosure agreements (NDA). The analysis of three parts of Getting the deal are referred as follows:

1. **Every M&A deal starts with the signing of NDAs for both parties:** the acquiring company and the target company. This document serves as protection for the buyer and seller to share sensitive information with each other during due diligence.

2. **Letter of intent (LOI)**

A letter of intent is a non-binding contract that a buyer sends to the seller to demonstrate an interest in a potential deal and make a formal offer for the company. This usually includes the exclusivity period, proposed deal structure, and initial purchase price range.

3. **Deal structure. Typically, there are three options for structuring the deal:** a) Stock deal: the buyer purchases the selling shareholders' stock directly. In this way, the buyer gets ownership in the seller's legal entity. b) Asset deal: the buyer aims to purchase the operating assets of a business instead of stock shares. c) Merger: mergers, together with acquisitions, are a widely adopted strategy for companies looking to increase value, achieve growth, or expand market share. Both sides of the deal have their own legal interests and considerations within each option. That's why it's important to address all the legal issues when negotiating the deal structure and deal strategy (for example, a divestiture strategy approach will differ from an investment strategy). Every deal structure has different legal ramifications, such as tax consequences, transferring liability, shareholder approval, and third-party contractual consent requirements. M&A law specialists tackle these issues and help to determine the most appropriate deal structure.

Processing the deal: Due diligence, Equity and cash consideration, working capital adjustment, Representations and warranties, Non-competes and non-solicits

Due diligence. The analysis of them are presented below [6, 7]:

1. Legal due diligence is one of the key processes that law specialists are involved in during the deal. This is a process of thorough analysis and review of the target company's documentation to make sure it's ready for the deal and to reduce any legal risks that can lead to litigation. Often, companies have their own ready-to-use legal diligence template to follow that makes the due diligence process even more straightforward.
2. This stage of the legal M&A process involves consideration of the deal payment method. It can be either cash or equity. Naturally, lawyers take part in such negotiations.

3. The process of working capital adjustments is often a part of the purchase price negotiation during mergers and acquisitions. This is because the acquiring company wants to make sure the target has adequate working capital that enables it to meet its before- and post-closing requirements, including obligations to trade creditors and customers. Working capital calculation helps to avoid such problems as best collection or delayed inventory purchasing.
4. Representations and warranties are essential for the acquisition process. An acquiring company expects a target to include representations and warranties in the definitive agreement. This means that the target has addressed such issues as taxes, financial statements, authority, capitalization, legal compliance, intellectual property, data privacy, and material contracts. M&A law specialists should carefully consider this area with the target to avoid indemnification claims from the acquirer in case of breaches.
5. These regulations are important legal aspects of almost every large M&A deal. Non-compete and non-solicit agreements are the target company's or acquirer's legal promise not to engage in any competitive business activity for the defined time frame. This is a kind of legal insurance that allows for protecting intellectual property, which is unique to specific industries, such as tech and medicine.

Closing the deal: Target indemnification, Closing conditions and Definitive purchase agreement. The analysis of them are presented below [8]:

1. Target indemnification is the essential part of the closing conditions negotiation in mergers acquisitions law. Target indemnification is another opportunity for the acquiring company to protect itself against contractual breaches from the target company. These terms describe what types of indemnification clauses lead to the deal's annulment and specify the procedure of the target company repaying the pre-agreed amount up to the value of the closing price.
2. Closing conditions are usually a section in a definitive agreement that lists all the conditions which must be met by both sides to close the transaction. Sometimes the list of required closing conditions is included in the letter of intent. Typically, closing conditions list such requirements as board approval, shareholder approval, absence of any material changes in the target company's business, and certain financial conditions. Acquirers usually require at least 90% of shareholder approval to avoid potential complications such as appraisal claims.
3. The Definitive purchase agreement is the final agreement between an acquirer and the target company, which represents the deal's closure. Given its irreversible nature, legal specialists on both sides should carefully draft this legally-binding document carefully before signing it.
4. M&A litigation part of law deals are specifically with types of litigation that can occur during the pre- and post-signing process such as: i) hostile tender offer that is an offer being made directly to the shareholders, without consulting it before with the board of directors, ii) Central banks if they are going to abandon their tightening cycles as an answer to the financial stability risk increase or will they keep policy tight to lean against inflationary pressures, iii) a breach happens when a fiduciary behaves in a manner that contradicts their duty, for example when someone who has the responsibility to act in the interests of another fails to do so, iv) in M&A, appraisal rights defend shareholders' interests, guaranteeing that they receive adequate compensation in case the merger or acquisition process overrides their wishes, v) a poison pill case is a defense strategy put in place by the directors of a public company to avoid third parties (such as competitors, activist investors, or other would-be acquirers) get control of the company itself by acquiring large amounts of its stock, vii) a proxy contest is when a shareholder or a group of shareholders attempt to gather enough shareholder proxy votes to win a corporate vote, viii) In M&A, a material adverse effect is a change in circumstances that negatively impacts the value of a company.

Legal specialists would be the ones to consult an acquirer or target company on various issues such as conflicts of interest, disclosure obligations, change-of-control payments, or required deal protection measures. M&A legal firms deal specifically with mergers and acquisitions and, therefore, have the expertise required to conduct deals smoothly and efficiently. M&A legal firms provide various services to their clients, including assistance with the due diligence process, negotiation, and contract drafting. They assist the buyer or the target company with all the legal aspects of the M&A transaction and all types of possible litigation [9].

The role of M&A law is to ensure that M&A transactions are conducted in a fair and efficient manner that respects the rights and interests of all parties involved. Some of the main objectives of M&A law are [10]:

- To protect shareholders from unfair or coercive practices by management or other shareholders
- To facilitate informed decision-making by providing relevant information to potential buyers and sellers
- To promote market efficiency by preventing anti-competitive behavior or abuse of dominant position
- To maintain healthy competition by encouraging innovation and entry into new markets
- To ensure stability and integrity in financial markets by preventing fraud or manipulation
- To comply with international standards and best practices in cross-border transactions

The legal responsibilities of each party involved in M&A transactions depend on their respective roles and obligations under applicable laws and regulations. Here is a simplified breakdown of these responsibilities:

1. Acquirer Company:

a. Complying with antitrust laws, securities laws, tax laws, environmental laws, labor laws, etc.
b. Protecting shareholder rights.
c. Honoring representations and warranties.
d. Indemnifying third parties from losses caused by its actions.

2. Target Company:

a. Complying with antitrust laws, securities laws, tax laws, environmental laws, labor laws, etc.
b. Protecting shareholder rights.

c. Honoring representations and warranties.
d. Indemnifying third parties from losses caused by its actions.

3. Intermediaries:

a. Complying with professional ethics codes, contractual agreements with both parties, applicable laws and regulations, etc.
b. Providing accurate advice and services to both parties without conflicts of interest or negligence.
c. Maintaining confidentiality of information shared with them.

These are some of the main roles and responsibilities of each party involved in M&A transactions. However, it's important to note that the specific details may vary depending on the structure, terms, and circumstances of each deal.

Mergers and acquisitions are complex transactions that involve the consolidation of companies or assets. These deals can lead to significant business growth. However, they often bring about a range of legal challenges that parties must navigate carefully.

One of the first steps in any merger or acquisition is due diligence. This process involves a thorough review of the target company's business. It aims to verify the accuracy of presented information and identify any potential legal or financial issues. Disputes can arise if the acquiring company discovers that the target has misrepresented its financial health or failed to disclose important information such as liabilities or pending lawsuits. Valuing a company is a central element of M&A deals, but it is also subjective and complex. Disagreements over the valuation of assets, especially intangible ones like intellectual property or goodwill, can lead to disputes. Both parties may have differing opinions on the methods used to value these assets, which can affect the price paid or received during the transaction. Contracts in M&A deals are detailed and often include warranties and representations made by both the buyer and the seller. If one party feels that the other has not adhered to these agreements, it may claim a breach of contract. Such disputes can involve aspects like non-disclosure agreements, purchase price adjustments or the fulfillment of post-closing obligations. Mergers and acquisitions can significantly affect a company's workforce. Disputes may arise regarding the merging of different corporate cultures or conflicts over employment terms. Changes in employee benefits, layoffs or changes in leadership can create friction and legal challenges between the merging entities. In some cases, M&A activities may raise antitrust issues, especially if the merged entities will command a significant share of the market. Regulatory bodies may challenge a merger that appears to limit competition. Companies must navigate these legal waters carefully to avoid disputes with regulatory authorities [11].

One of the main legal issues in M&A transactions is the compliance with antitrust laws and other regulatory concerns. Antitrust laws are designed to protect competition and consumer welfare by preventing or remedying transactions that may create or enhance market power, reduce efficiency, or harm consumers. Other regulatory concerns may include [12]:

- National security
- Foreign investment
- Data privacy
- Environmental
- Social
- Governance (ESG) issues, etc.

The process for obtaining regulatory approvals varies depending on the jurisdiction, industry, and type of transaction involved.

The most important contractual instrument for the seller in the early stages is the non-disclosure agreement. Without one, a seller should never disclose any remotely sensitive information to a potential buyer, let alone trade secrets. The non-disclosure agreement is also useful to the buyer. When in an auction, the fact that the other competing buyers that ultimately failed to get the deal had to sign the same non-disclosure agreements as the chosen buyer, prevents them from using the information given out also in the buyers disadvantage. Without this, the deal could end up being worth a lot less than the buyer had imagined (Lahdelma S., 2019) [10].

According to Redfern Legal LLP (2023) [13] NDAs are vital legal documents that facilitate the sharing of confidential information between the buyer and seller during the due diligence phase. For the most part, it is the seller's confidential information that is at stake so the seller's counsel will want to control the drafting of the NDA. It is essential to consider the governing law and jurisdiction provisions of such agreements to ensure enforceability in case of any breach or dispute, particularly in cross-border transactions. Both parties (but particularly the seller) are often sensitive about the impact of the transaction on their respective businesses and will want to see the existence of the agreement and underlying transaction included within the scope of confidential information. The buyer will be keen to ensure the four common carve-outs from the scope of confidential information are worded so that information it already possesses, receives from a 3rd party, develops on its own or was in the public domain, does not fall within scope. Other key legal considerations include specifying the permitted use and disclosure of such information, establishing the duration of the agreement, and outlining the remedies and liabilities in case of a breach. By carefully compiling NDAs with enforceable terms and considering the applicable legal framework, buyers and sellers can establish a solid foundation for the due diligence process and set the stage for a successful and legally compliant M&A transaction.

Conclusion

This study focuses on the negotiations conducted in M&A and operating in them. Managing the legal framework of M&A is a complex process and requires significant specialized knowledge of legal advisors. Furthermore, it should be emphasized that cross-border M&A present even more complex legal and bureaucratic procedures and for this reason, special attention must be paid mainly to the legal framework of the company to be acquired and located in a different country than that of the buyer. In conclusion, we can say that buy-side investors are likely to invest more in a well-regulated efficient or emerging market, even though each legal system has its own structures and legal obligations. This is because well-regulated and legally clear markets have many regulations that protect investors' money, but they can also provide an extremely safe legal

environment for growth and capital gains without contingencies.

Our study concluding agree with the findings of Lahdelma S., (2019) [10] findings saying that the due diligence investigation is the most important element of contract law and contractual instrument for the potential buyer. This is the phase where the buyer gains access to all of the necessary data and information about the buyer that it needs to make a decision to continue the negotiations at all and the price they are willing to pay. During the due diligence investigation, also the sellers obligation to disclose is implemented. In addition, the buyers right to appeal to a defect in the object of the purchase terminates. Therefore, the due diligence investigation should be conducted with care and concentration, as the ramifications of a poorly executed due diligence investigation can be severe. The different parts inspected during the due diligence investigation vary from transaction to another according to the motives and background of the buyer, but financial, tax, commercial and legal due diligences are practically always included

We also agree with the study of Bilokapic A., (2024) [1] who concluded that successful cross-border mergers and acquisitions depend on the compatibility between the legal structures, systems of government rulings, corporate governance norms and dispute resolution mechanisms in both countries. Companies need to carefully review any differences that may exist with respect to matters such as shareholder rights, obligations placed upon directors for companies concerned, protecting minority shareholders' interests along with transparency protocols so mandates are met. Hiring lawyers who understand the laws of both countries can help identify what needs to be done in order to bring them in line. Companies may need to set up different legal entities, enforce good governance methods and use international regulations so that they comply legally with local law and minimise any complications during merger integration. Adequate preparation will ensure a safe process for shareholders, reduce risks associated with misalignment and promote successful postmerger transition.

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