

## **COMPLIANCE CHALLENGES IN ARGENTINE M&As**

In the context of **M&As transactions** involving Argentine based companies or assets, a typical buyer's due diligence exercise includes a **compliance due diligence** aimed at analyzing the target's compliance risk profile and identifying critical issues (such as past or current violations of anti-corruption, data protection, AML and terrorism financing prevention and fraud prevention laws) and potential sources of liabilities in connection thereof.

The **scope** of a compliance due diligence should be tailor-made as it **depends on a number of factors**, including the target's industry or the regulations applicable to the buyer in its home country (e.g., FCPA, the UK Bribery Act, among others).

The Argentine regulatory landscape has evolved in the last few years in an effort to accommodate local regulations to international standards. Recently enacted Law No. 27,401 on Criminal Responsibility of Legal Entities (which became effective on March 1, 2018) constitutes an example of the mentioned trend. The **customary compliance due diligence** (and the resulting contractual protections, including conditions precedent, termination events, scope of representations and warranties and indemnities protections) **has evolved in line with such legislative activity**.

Most likely, the developing **corruption scandal in Argentina** known as the *Cuadernos Gate* (which relates to alleged -massive- corruption activities during the Kirchner administration) will impact the level of M&A activity, at least in the short term. Most importantly, the scandal could also trigger new legislation (or the improvement of existing one) aimed at preventing corrupt business practices so it will also **re-shape the best practices from a due diligence standpoint**.

Thus, **compliance risk management** will play an increasingly important role in M&A transactions involving Argentine based targets. Transactional lawyers will have to rely more than ever on regulatory and compliance experts to draw a compliance risk map to identify red flags and concrete risk exposure.

Finally, while an adequate pre-acquisition due diligence is critical, it is possibly the first step in a comprehensive program that may need to satisfy local and international requirements.

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