

Post-Mergers & Acquisition (M&A) Integration Processes and Beyond

A Spotlight on Post-M&A Integration Processes and
Operational Challenges

Beyond M&A: What's Your Next Move?

Success post-M&A and foresight into opportunities and threats requires a competitive, continuous, and strategic risk management. While pre-M&A activities focus on strategic planning, risk assessment, and regulatory compliance, post-M&A efforts focus on ensuring operational efficiency, cultural alignment, financial stability and assessing newly discovered pre-M&A unknowns.

Pre-M&A Due Diligence Checklist



Post-M&A Integration Challenges

	Licensing Take into consideration the different layers and complex processes of licensing that can make or break the success of the integration—review, amend, impact assessment, execute.
	Sanctions Some integrations would require authorizations or clearance from regulators such as OFAC as sanctions may restrict financing, payment flows, or may inherit exposures with sanctioned entities.
	Operations Includes continuous alignment with IT systems, cybersecurity frameworks, and financial reporting. There is a need to leverage on risk monitoring activities for compliance.
	Cybersecurity and Data Privacy Vulnerabilities are often absorbed in acquisitions, and these could pose threats and exposure to cyber lapses and misalignments. These threats could lead to breaches and regulatory enforcement actions.
	Regulatory Compliance Failure to identify compliance issues such as violations, or unlicensed operations would be problematic post M&A. Fines could be imposed, if not disclosed or resolved.
	Cross Border Navigate through the ever-changing international compliance requirements from different jurisdictions. This also includes keeping updated with licensing approvals.



The Importance of Risk Mitigation

A continuous operational risk assessment that is structured and targeted to comply with latest regulations is the secret sauce of post-M&A success. Without it, initial post-M&A integration can devolve to inefficiencies and diminish the value of the transaction. Failure to integrate risk and compliance strategies effectively has led to high-profile cases of anti-money laundering (AML) and OFAC regulations violations. Regulatory mishaps can lead to severe financial penalties, operational disruptions, reputational damage and loss of trust.

Post-M&A “Circle of Compliance”

Cybersecurity and IT Compliance

Conduct cybersecurity risk assessments, implement multi-factor authentication, and perform penetration testing and security audits after the M&A.

Licensing Approvals

Obtaining state-specific business licenses for regulated industries and ensure compliance with financial institution licensing under OCC and FDIC.

Data Privacy and Protection

Conduct data privacy audits and assessments, implement data encryption and access controls for sensitive information, and compliance to cross-border data transfer.

Sanctions and Trade

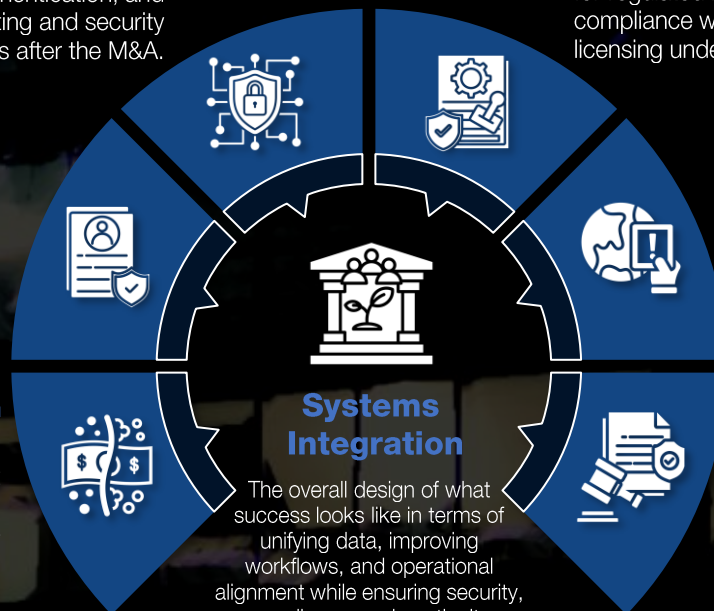
Conduct sanctions screening for all business transactions and ensure compliance with OFAC Specially Designated List (SDN) list.

AML and Financial Crime Prevention

Customer due diligence and enhanced due diligence must be conducted. Implement transaction monitoring systems, and compliance with KYC regulations must be in place.

Regulatory and Financial Reporting

Compliance to SEC regulations, Sarbanes-Oxley Act, and other related regulatory obligations for M&A.



Embedding Systems Integration Since Day One

Post-M&A, systems integration must be embedded into the compliance structure of the new entity from day one. While it optimizes systems and processes post-M&A, when done well it helps to spot inherited risks early and reinforces an environment with proactive governance. The US Department of Justice (DOJ) recently announced a decision not to prosecute a private equity firm after it voluntarily disclosed sanctions and export control violations committed by a company it acquired.

Systems Integration Strategic Priorities



Adopting a structured, strategic approach that emphasizes on these priorities will ensure alignment with evolving legal and regulatory structures, which includes acting quickly to self-report potential violations. The key to gain leniency with a regulatory agency is establishing internal protocols for full cooperation with authorities, making witnesses reachable, sharing internal investigations findings, and fostering open communication. A disclosure decision framework that focuses on compliance is a vital component of any post-M&A systems integration frameworks from the start.



Discover what Stratis Advisory can do for you



Pre-M&A Readiness Assessment

Risk factors must be taken into consideration in anticipation of filing for an M&A. Readiness assessments should include operations, governance, regulatory compliance, partnerships, and cybersecurity. Stratis can execute enterprise-wide assessments with enough time for you to remediate significant issues, get the board buy-in and budget, and deliver a clean company for your M&A transaction, and this can go beyond post-M&A.



Post-Acquisition Integration and Operations

Understanding your inherent risks in the context of regulatory frameworks provides insights that inform post-acquisition integration planning and, together with strategic imperatives such as speed to market, product roadmap and equity valuation, ultimately determine your growth path. Stratis can help with preparing a detailed plan, managing it end-to-end, and adjusting it as need to help you stand up and continuously execute the infrastructure and operations for success as a regulated entity.



Regulatory Compliance Advisory

Regulatory compliance is an ongoing function pre-and-post M&A. Compliance relies extensively on the success of your underlying operational processes. From reportable sanctions to cyber incidents, Stratis can help you identify enterprise-wide gaps in your organization leading up to and through your M&A to mitigate disclosable activity and protect your purchase price.





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