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Corporate Governance and Compliance in International Transactions

Selimov Azymnazar
Bachelor's Degree, University of Timisoara, 300575 Timis, Romania

***Abstract*—*This article examines the role of corporate governance and compliance in international business transactions, emphasizing their importance in minimizing risks and ensuring operational transparency. It explores the impact of international and national requirements on the development of compliance structures, as well as approaches to the unification of standards in the context of globalization. The risks associated with non-compliance, along with mechanisms for mitigating these risks through the implementation of effective compliance programs, are studied. Additionally, examples of fines and sanctions for violations are provided. The primary focus is on analyzing modern strategies aimed at ensuring business sustainability and adherence to international legal requirements.*

***Keywords*—*Corporate governance (CG), compliance, international transactions, risks, standards, Foreign Corrupt Practices Act (FCPA), General Data Protection Regulation (GDPR), sanctions.*

I. Introduction

In the context of globalized markets and increasing competition, corporate governance (CG) and compliance become important elements in international transactions. These processes can promote transparency and legality of operations while raising trust between the parties involved in the transactions. Companies operating on the international stage face the challenge of complying with a complex set of regulatory requirements that vary across jurisdictions.

Significant attention is concentrated on the unification and standardization of CG practices. International organizations such as the Organization for Economic Co-operation and Development (OECD) and the United Nations (UN), along with regional structures, are developing general approaches to governance and the enforcement of legal norms. But differences in legal systems, levels of economic development, and cultural characteristics across countries can create multiple difficulties for businesses. This increases the importance of a detailed study of corporate practices and compliance mechanisms.

There is constant growing pressure on companies to meet ethical standards. Corporate social responsibility, consideration of Environment, Social and Governance (ESG) factors, and adherence to anti-corruption standards become integral aspects of international transactions. Effective CG, supported by integrated compliance systems, facilitates companies to reduce risks associated with legal and reputational issues. The aim of this study is to analyze the role of CG and compliance in international business transactions.

II. Main Part. Study of Requirements for Compliance Structures and CG Standards in International Business Transactions

In the contemporary globalized context, characterized by the growing complexity of international business operations, CG and compliance become major constituents of effective interaction among participants in international transactions. These systems are directed to secure transparency, adherence to legal and ethical norms, and the minimization of risks associated with differences in jurisdictions and legal systems.

Effective CG has a central place in the process of achieving the transparency, legality, and accountability of international business transactions. It is a system that defines how a company is managed, while taking into account the interests of shareholders, employees, customers, and other stakeholders. On the international level, productive CG helps to minimize risks arising from differences in legal and cultural systems and facilitates the establishment of sustainable partnerships. Key elements of CG include governance structures (board of directors, executive leadership), internal controls and audits, as well as reporting mechanisms. International organizations such as the OECD actively promote the dissemination of best practices in this area. An example is the OECD Principles of Corporate Governance, which are applied in 50 countries and serve as the basis for developing local regulations [1].

Compliance in international transactions represents a set of measures and mechanisms that ensure adherence to legal and ethical norms governing business operations. Amid increasing international regulation and demands for business transparency, compliance becomes a requisite element of strategic management for companies. It covers a wide range of issues, including anti-corruption efforts (such as compliance with the USA Foreign Corrupt Practices Act (FCPA), and the UK Bribery Act, data protection (GDPR in the European Union), adherence to international sanctions regimes, and meeting requirements for financial reporting and transparency. Compliance structures in modern organizations consist of specialized departments or individuals, such as the Chief Compliance Officer (CCO). Their main task is to develop, implement, and monitor internal policies aimed at identifying and preventing legal and reputational risks. These structures foster a corporate culture based on the principles of law and ethics.

Modern compliance programs actively leverage digital technologies to enhance process efficiency. The automation of due diligence procedures enables quick and accurate screening of counterparties for sanctions, corruption links, or other risks.

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Transaction monitoring using artificial intelligence (AI) allows for the timely detection of suspicious activities, while internal investigations become more structured through the use of specialized software solutions.

Moreover, compliance becomes an important competitive advantage in the international arena. An effectively functioning compliance system increases trust among partners, investors, and regulators. It also reduces the likelihood of fines and sanctions. Given the high costs of violations, such as multimillion-dollar penalties for non-compliance with FCPA or GDPR, companies increasingly view compliance as an obligation and also as a strategic asset.

On the international stage, the requirements and standards for compliance structures are diverse and depend on the legislation of specific countries, industry specifics, and international obligations. For companies operating in multiple jurisdictions, this creates significant challenges, as they must simultaneously comply with national laws and international standards. In the USA, the Foreign Corrupt Practices Act (FCPA) applies to all companies doing business with American partners or using USA financial instruments [2]. This law imposes strict measures to prevent and detect corruption, including substantial fines and criminal liability for violators. At the same time, the European Union focuses on data protection through the General Data Protection Regulation (GDPR). This regulatory framework requires companies to revise corporate processes related to the storage, processing, and transfer of data, necessitating the implementation of technical and administrative measures to safeguard individuals' rights to privacy.

International organizations are also of great importance in shaping compliance standards. The UN Global Compact contain 10 principles directed at upholding human rights, ensuring labor standards, protecting the environment, and combating corruption. It has become a major benchmark for building compliance systems in multinational corporations. These principles promote the adoption of sustainable and ethical practices across all aspects of business operations. ISO 37001 is developed by the International Organization for Standardization and sets requirements for management systems to prevent corruption [3]. This standard is recognized in many countries and is applied both in large businesses and in the public sector. Companies certified under ISO 37001 gain a competitive advantage by demonstrating a high level of transparency and commitment to anti-corruption measures to their international partners.

One of the key challenges is the diversity of approaches to CG and compliance across countries. Differences in legal systems, levels of law enforcement, and economic realities create barriers to standardization. For instance, in many Asian countries, CG often relies on family-based business structures, which differs from the Western practice of emphasizing strong boards of directors and independent auditors. Another challenge is the adoption of international standards by small and medium-sized enterprises (SME) [4]. Such companies often lack the resources to implement complex compliance programs. In this regard, there is a growing need for more flexible and accessible tools, such as standard software solutions for automating compliance processes.

With the advancement of technology and the intensification of international regulation, further complexity in the requirements for CG and compliance structures is expected. Various AI technologies and blockchain are already being used in transaction monitoring, automatic detection of violations, and reporting management. Systems powered on AI can automatically identify suspicious transactions in real time. In the future, the fundamental focus will be on harmonizing standards at a global level. International organizations are continuing to work on creating universal guidelines and agreements to address current inconsistencies. Improving the transparency of CG remains a priority, as it is essential for reducing the risks of corruption and other violations.

III. Risks of non-compliance and their impact on international transactions

International companies often confront increasing requirements to comply with regulatory norms governing their activities. Failure to adhere to these norms can result in severe consequences. They may include significant financial losses, legal sanctions, and reputational damage.

The main types of risks can include corrupt practices, such as bribery and improper payments, money laundering, violations of sanction regulations, and breaches of data protection laws. According to 2024 statistics [5], the most significant share of penalties was due to companies' non-compliance with general data processing principles. This violation has led to over €2,4 billion worth of fines (fig. 1).

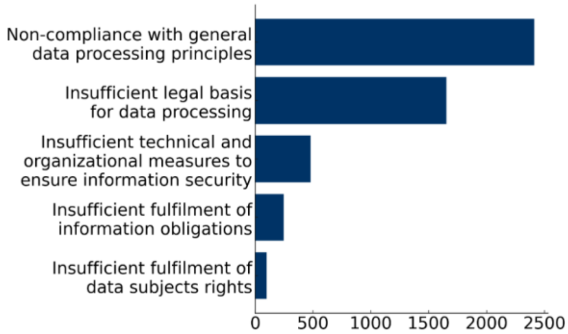

Fig. 1. Fines issued for GDPR violations as of September 2024, million euro

The negative impact of non-compliance demonstrates the scale of challenges faced by companies. In 2020, Goldman Sachs was fined $2,9 billion for its involvement in a corruption scandal related to the Malaysian 1MDB fund, marking one of the largest penalties in the history of the FCPA. It involved allegations of money laundering and the embezzlement of $4,5 billion, which was illegally siphoned from the fund to finance a lavish lifestyle, involving the purchase of real estate, artworks, and film production [6]. Another example is Amazon, which was fined €746 million in 2021 for violating customer data processing regulations, making it the largest penalty in the history of GDPR. Fines under this regulation can reach up to 4% of a company's global turnover [7].

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Violations of compliance norms have extensive repercussions for businesses. Legal sanctions and financial losses can result in a loss of trust from partners, a decline in the company's market value, and restricted access to international markets. With increasing international oversight and rising fines for non-compliance, companies are compelled to devote more attention to developing and implementing compliance programs. These programs can mitigate risks and also enhance trust among investors, clients, and regulators (table 1).

TABLE I. Main components of compliance programs [8, 9].

Key element	Description
Due diligence	Thorough vetting of partners, clients, and counterparties to identify potential risks before finalizing a transaction. Includes information on beneficiaries, sanctions screening, and reputation assessment.
Employee training	Regular training sessions on anti-corruption laws, sanction regimes, and data protection to ensure awareness of compliance norms. Special focus on decision-makers in primary positions.
Use of digital technologies	Implementation of real-time transaction monitoring systems, data analysis, and compliance automation processes. AI can identify suspicious activities or anomalies in counterpart behavior.
Internal procedures and policies	Development of internal regulations, including codes of conduct, anti-corruption policies, data protection measures, and protocols for responding to compliance violations. It ensures quick and structured reactions to incidents.
Independent audit and monitoring	Regular evaluations of compliance systems by independent auditors to assess their efficiency and legal alignment. Continuous monitoring provide adherence to established policies and prevents recurring issues.

Compliance with regulatory norms is a necessary condition for successful operations in the international environment. Despite the diversity of requirements, an effective compliance program integrated into the company's strategy helps to minimize risks, strengthen business reputation, and ensure long-term business sustainability.

IV. CONCLUSION

In the current landscape of worldwide development and stricter international regulations, CG and compliance play a pivotal role in ensuring business success. They ensure transparency and legality of transactions, minimize legal, financial, and reputational risks, and foster trust among partners, investors, and regulators. However, adherence to compliance norms is accompanied by numerous challenges. They often include the need to adapt to diverse legal requirements, integrate international standards, and manage complex risks. The effective use of modern technologies, such as AI and automation, considerably increases the efficiency of compliance programs and enables adaptation to rapidly changing conditions.

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