

# MANAGING OPERATIONAL RISK AS COMPANIES EXPAND INTERNATIONALLY - DELOITTE ABOGADOS Y ASESORES TRIBUTARIOS

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**As companies look to new markets they need also to ensure the necessary legal and procedural mechanisms are in place**

The definition of “risk” may differ between companies and within business sectors but for businesses looking to expand outside of Spain recurring issues do arise, says Luis Fernando Guerra, Managing Partner of Deloitte Abogados y Asesores Tributarios.

“Areas companies should take special care of as they expand into new markets include money laundering and corruption, risks that can occur in any transactions.”

Most countries now have dedicated regulation on such issues and it may be that actions not considered suspect in Spain may however be regarded unfavourably elsewhere, leading to legal, criminal or reputational risk.

"Sectors such as finance are highly regulated and controlled, with strong anti-fraud measures that prevent transactions that do not meet certain transparency requirements, but many other sectors operate in much less formal ways."

Businesses need also to be aware of "extra-territorial" regulation, with anti-bribery legislation from the US and UK standing out, he says. But countries including Germany and Italy have long had liability for corporate acts of corruption and criminal liability in France, Portugal, Belgium and the Netherlands.

"How businesses manage issues will depend on their own internal and compliance structures but these must involve both legal and procedural safeguards. It is not possible to cover every eventuality but in order to successfully undertake any new transaction an analysis of the risks involved must be done."

"Businesses need to determine a chain of responsibility to ensure that the requisite internal controls exist, that legislative reviews are made, and procedures take new developments into account."

"This is not solely a legal or compliance issue but a mixture of both. Internal processes can look to verify and control potential risks but fundamentally compliance must become a 'cultural' issue – part of the way the company does business as it expands," concludes Guerra.