

**Cross-Border Merger and
Acquisition Models of
International Commercial
Banks in the Global Bay Area
Economy**

By

Kailiang Ma

Cross-Border Merger and Acquisition Models of International
Commercial Banks in the Global Bay Area Economy

By Kailiang Ma

This book first published 2026

Ethics International Press Ltd, UK

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Copyright © 2026 by Kailiang Ma

All rights for this book reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical photocopying, recording or otherwise, without the prior permission of the copyright owner.

Print Book ISBN: 978-1-83711-028-5

eBook ISBN: 978-1-83711-029-2

About the Author

Kailiang Ma is Assistant Professor at the School of Law and Intellectual Property, Guangdong Polytechnic Normal University, China. Prior to this, he conducted his postdoctoral research in finance at Peking University HSBC Business School and Qianhai Financial Holding Company. He graduated from the Paris-Saclay University in France with a PhD in Law. In addition, he works as a lawyer in China and France.

Table of Contents

About the Author	v
Preface.....	xi
Chapter 1: Introduction.....	1
1.1 Research background	2
1.2 Research methods	5
1.3 Research innovation	7
1.4 Research value.....	9
1.5 Research framework.....	11
Chapter 2: Literature Review	12
2.1 The selection factors of the M&A models	12
2.2 The impact of different M&A models.....	16
2.3 The main purpose of the different M&A models.....	18
2.4 Potential risks faced by different M&A models	22
Chapter 3:
Definitions and Characteristics of Cross-Border Mergers and Acquisitions Models of International Commercial Banks in the World’s Four Major Bay Areas.....	26
3.1 Definitions.....	26
3.2 Main characteristics	31
Chapter 4: Empirical Data Analysis of Cross-Border Mergers and Acquisitions Models of International Commercial Banks in the World’s Four Major Bay Areas.....	39
4.1 Empirical analysis of deal structure models in cross- border M&A of international commercial banks in the world’s four major Bay Areas	40
4.2 Empirical analysis of industry relationship models in cross-border mergers and acquisitions of international commercial banks in the world’s four major Bay Areas	52

4.3 Evaluation of the impact of acquisition mode on the success of mergers and acquisitions.....	68
4.4 Mergers and acquisitions motivations under different mergers and acquisitions models.....	70
4.5 Summary.....	76

Chapter 5: Analysis of Questionnaire Survey on Cross-Border Mergers and Acquisitions Models of International

Commercial Banks.....	77
5.1 Introduction to the questionnaire survey.....	79
5.2 Regulatory factors.....	95
5.3 Cost factors.....	146
5.4 Benefit factors.....	198
5.5 Summary.....	245

Chapter 6: The Causes Behind the Emergence of Cross-Border Mergers and Acquisitions Models Among International

Commercial Banks in the World’s Four Major Bay Areas.....	247
6.1 The causes for the deal structure models.....	248
6.2 The causes for the industry relationship models.....	255
6.3 The causes for the deal subject models.....	263
6.4 Other causes.....	269
6.5 Summary.....	276

Chapter 7: Potential Issues of Cross-Border Mergers and Acquisitions Models of International Commercial Banks in

the Four Major Global Bay Areas.....	278
7.1 The governance integration concerns from the deal structure models.....	279
7.2 Lack of experience in financial holding from the industry relationship models.....	287
7.3 Inadequate policy implementation from the perspective of deal subject model.....	293
7.4 Other issues.....	296
7.5 Summary.....	300

Chapter 8: Optimization Suggestions for the Cross-Border Mergers and Acquisitions Model of International Commercial Banks in the World’s Four Major Bay Areas	302
8.1 Continuously innovating equity merger and acquisition deal models.....	303
8.2 Encouraging mixed mergers and acquisitions industry model	305
8.3 Promoting the alignment of rules for cross-border mergers and acquisitions among international commercial banks.....	310
8.4 Optimizing policies and governance models for cross-border mergers and acquisitions	315
8.5 Strengthening risk management mechanisms.....	319
8.6 Summary	322
Chapter 9: Conclusion	323
9.1 Research conclusion	323
9.2 Future outlook.....	325
9.3 Research deficiencies.....	328
Bibliographies	329
Annex 1: Variable Frequency Analysis of Deal Structure Models in Cross-border Mergers and Acquisitions of International Commercial Banks in the World’s Four Major Bay Areas	354
Annex 2: Survey on the Cross-border Mergers and Acquisitions Mode of International Commercial Banks in the Guangdong-Hong Kong-Macao Greater Bay Area.....	360

Preface

When the tide of financial globalization intertwines with the deepening advancement of regional economic integration, cross-border mergers and acquisitions (M&A) of international commercial banks have evolved from mere tools for scale expansion into strategic behaviors that reshape the global financial power structure and reconstruct the industrial collaboration network. The four world-class Bay Areas including New York, San Francisco, Tokyo, and the Guangdong-Hong Kong-Macao Greater Bay Area, as growth poles with the highest economic density, strongest innovation capability, and most significant institutional diversity in the world, not only carry the historical memory of regional economic development but also reflect the underlying logic of future financial competition. This book takes the four Bay Areas as samples, penetrates the surface of M&A transactions, and decodes the institutional logic, industrial genes, and innovation codes behind them, aiming to provide a mirror of both theoretical depth and practical value for latecomer economies.

I. Why focus on the cross-border M&A models in the four major Bay Areas?

Since the 21st century, the global financial landscape has undergone multiple profound reconstructions, primarily encompassing the wave of mixed-sector expansion prior to the 2008 financial crisis, the tightening of regulation and differentiation following the crisis, and the current coexistence of de-globalization and regional clustering. Throughout this process, the four major Bay Areas have consistently played the role of key players:

The New York Bay Area, with Wall Street as its axis, dominates global capital allocation through the financial holding structure of universal banks (such as JPMorgan Chase and Citigroup), and its M&A model embodies the market logic of prioritizing efficiency and deferring risk. The San Francisco Bay Area, relying on the Silicon Valley technology ecosystem, pioneers a new M&A path of asset-light embedding and technology empowerment, reshaping the collaborative paradigm between technology and finance. The Tokyo Bay Area, leveraging the industry-finance synergy tradition of the chaebol system, forms a vertically integrated model of industrial expansion overseas and financial support, reflecting the long-termist values under East Asian culture. The Guangdong-Hong Kong-Macao Greater Bay Area, under the framework of “one country, two systems,” explores cross-border dual-track collaboration, becoming a testing ground for institutional innovation in Chinese integration with the global financial system.

The choice of these four Bay Areas as research subjects is not only due to their significant share of global GDP and substantial volume of cross-border M&A in the global financial industry, but also stems from their extreme typicality in terms of their models. They represent four distinct development paths: market-led, technology-driven, chaebol-coordinated, and institutionally innovative, encompassing the transformation experiences of both developed countries and emerging economies. This provides a living sample for financial openness in different institutional environments.

II. The underlying logic of the four major Bay Area models

This book posits that cross-border M&A of commercial banks are crucial measures for promoting the deepening of institutional openness in the cross-border financial sector of Bay Area economies. Through questionnaire surveys, literature reviews, case studies, and

empirical research, this book analyzes the primary manifestations of cross-border M&A of international commercial banks in the four major global Bay Areas, focusing on deal structure models and industry relationship models. Based on this, and taking into account the actual conditions of each Bay Area, the book categorizes the cross-border M&A models of international commercial banks into deal structure models, industry relationship models, and deal subject models. It sequentially explains the rationality and future development direction of the basic characteristics of cross-border M&A models of international commercial banks in Bay Area economies, covering dimensions such as the causes of emergence, influencing factors, potential issues, and optimization paths. Despite the differences in development models among various Bay Areas, they share three fundamental underlying logics.

1. The institutional environment serves as the genetic map for the models evolution

The financial development model of the New York Bay Area is rooted in the freedom of mixed operation after the repeal of the Glass-Steagall Act, with the Federal Reserve's functional supervision framework providing institutional flexibility for its financial holding company M&A. The chaebol collaboration model of the Tokyo Bay Area originates from the compromise with the chaebol system after World War II under the Anti-Monopoly Law, with the main bank system and the tradition of cross-shareholding forming the institutional foundation for the integration of industry and finance. The technology-driven model of the San Francisco Bay Area benefits from California's regulatory sandbox accommodating financial innovation, as well as Silicon Valley's venture capital culture reshaping valuation logic. The institutionally innovative of the Guangdong-Hong Kong-Macao Greater Bay Area is a product of special systems such as the

Comprehensive Economic Partnership Agreement (CEPA) agreement and free trade zone pilots under the “one country, two systems” framework, reflecting the unique advantages of institutional openness.

In essence, the success of any M&A model lies in the dynamic alignment between institutional supply and market demand. Model transplantation that is divorced from the institutional context often fails due to its incompatibility with the local conditions.

2. The synergistic effects determined by industrial endowments

The New York Bay Area relies on its financial industry cluster to enhance its global resource allocation capabilities through horizontal M&A and mixed M&A. The San Francisco Bay Area leverages its technology ecosystem to capture technological innovation dividends through vertical M&A. The Tokyo Bay Area follows the manufacturing industry overseas, achieving an industry-finance closed loop through joint M&A of industrial capital and financial capital. And the Guangdong-Hong Kong-Macao Greater Bay Area relies on the dual clusters of technology and manufacturing to explore the bidirectional empowerment of cross-border finance and real industries.

The ultimate goal of M&A is industrial synergy rather than scale aggregation. In the four major Bay Areas, M&As that deeply embed into local advantageous industries can achieve a synergistic effect; on the contrary, transactions that solely pursue license acquisition often end in failure.

3. Risk control is the “lifeline” of sustainable models

The evolutionary history of the four major Bay Area models is also a history of risk exposure and institutional correction. Following

the 2008 financial crisis, the New York Bay Area strengthened the “Volcker Rule” through the Dodd-Frank Act to limit the risks of mixed operation; after the Mizuho Bank’s non-performing crisis in 2002, the Tokyo Bay Area gradually broke the iron triangle of cross-shareholding and introduced external strategic investors; following the bankruptcy of Silicon Valley Bank (SVB) due to interest rate risk in 2023, the San Francisco Bay Area began to reflect on the vulnerability of the asset-light model and promoted the upgrading of regulatory sandbox rules; the Guangdong-Hong Kong-Macao Greater Bay Area encountered geopolitical risks in M&A related to the Belt and Road Initiative, which compelled the innovation of a risk isolation mechanism.

In summary, there is no flawless model, only a dynamically optimized mechanism. The experience of the four major Bay Areas demonstrates that effective risk control must permeate the entire process of deal structure design, integration process management, and exit mechanism arrangement, with particular attention paid to institutional friction risks and industrial cycle risks.

III. Academic Contribution and Practical Value

From the perspective of academic contribution, the academic innovation of this book is primarily reflected in its first-ever summary and analysis of the cross-border M&A models of international commercial banks in the world’s four major Bay Areas. It provides a comprehensive perspective, serving as a reference for the development of Bay Area economies in other countries and regions around the world.

At the practical level, this book can provide references for three types of entities:

For commercial banks, this book aims to provide theoretical references on how to select M&A targets based on industrial endowments, balance control rights and integration efficiency through equity design, and reduce compliance costs by utilizing institutional innovations such as regulatory sandboxes, through theoretical and case studies of the four major Bay Areas.

For policymakers, this book draws on the institutional supply experience of the four major Bay Areas, hoping to provide institutional references for policymakers around the world in optimizing their domestic financial opening policies during the economic development of Bay Areas.

For international organizations, this book aims to provide valuable analytical perspectives for promoting reforms in the global financial governance system through a comparative study of the four major Bay Area models.

IV. Research Limitations and Future Outlook

There are still some limitations in the research presented in this book:

Firstly, there is some timeliness in the cases and data. Due to limitations in data availability and the timeliness of data analysis, the data in the Orbis M&A database is only updated to April 30, 2024, failing to fully cover the impact of recent deal cases.

Secondly, regional coverage is limited. Although the four major Bay Areas are typical, some M&A models in the Bay Area economies of emerging regions such as Africa and Latin America have not been included. In the future, the research scope can be further expanded to analyze the cross-border M&A models of international commercial banks in global Bay Area economies.

Lastly, the of empirical analysis needs to be further deepened. Due to space limitations, the empirical analysis of M&A data has not been fully explored. Future research can continue to deepen by further optimizing relevant models.

Looking ahead, with the rise of new sectors such as digital currency and green finance, cross-border M&A of international commercial banks will exhibit new trends of technologization, greenification, and regionalization. As innovation hotspots, the models of the four major Bay Areas will inevitably continue to evolve, and the dynamic adaptation principle proposed in this book may provide a lasting analytical perspective for understanding this evolutionary process.

Standing at a new historical juncture, it can be increasingly recognized that global financial competition is essentially a composite of institutional competition, industrial competition, and competition in innovation capabilities. The cross-border M&A practices of the four major Bay Area international commercial banks are not only a summation of past experiences but also a prelude to future transformations. It is hoped that this book will open a window for readers, allowing them to glimpse the future landscape of cross-border M&A in the global banking industry through the mirror of the four major Bay Areas.

Chapter 1

Introduction

Abstract: This chapter introduces the background of the research. Bay Area economies are typical of regional economies, and the four major global Bay Areas (the New York and San Francisco Bay Areas in the United States, the Tokyo Bay Area in Japan, and the Guangdong-Hong Kong-Macao Greater Bay Area in China) have currently strong vitality in regional economic. Given their political and economic openness, they are also the regions with the highest concentration of cross-border M&A by commercial banks. Cross-border M&A of commercial banks is a global proposition. According to data provided by Orbis M&A, a global M&A database, there have been 130,580 cases of cross-border M&A of banks globally updated to April 30, 2024. And 2,970 cases have Chinese commercial banks as the subject of the M&A, and there are 1,252 cases of Chinese companies acquiring foreign banks. In the five global waves of M&A, the cross-border M&A of commercial banks has also put forward different requirements on the M&A subjects and models around the regulatory features of whether banks can operate cross businesses such as securities and insurance. However, synthesizing the existing research, the results of research on the cross-border M&A models of commercial banks are still relatively scarce, and the research on the Bay Area economy is yet to be continuously improved.

Key words: cross-border M&A; Bay Area economy; Orbis M&A; four major global Bay Areas

1.1 Research background

To explore the relevant background of cross-border mergers and acquisitions (M&A) modes of international commercial banks in the four major global Bay Area economies (generally referring to the New York Bay Area, San Francisco Bay Area, Tokyo Bay Area, and the Guangdong-Hong Kong-Macao Greater Bay Area), a systematic analysis from multiple dimensions such as economic globalization, regional integration, geopolitics, and legal supervision is required. The following is a comprehensive explanation in the context of the global background:

1.1.1 Economic background: driven by globalization and regional integration

Firstly, the liberalization of capital flows and financial integration have led to a substantial commercial demand for cross-border M&A among banks. With the liberalization of global capital markets, cross-border M&A has become a core means for banks to achieve international expansion. Banks can quickly enter new markets, acquire customer resources, and achieve economies of scale through M&A, especially in regions with a high concentration of financial resources, such as the four major Bay Areas.

Secondly, the demand for financial synergy within regional economic entities has driven the business model of cross-border M&A for commercial banks. The close trade and investment exchanges among economies within major Bay Areas have prompted banks to establish cross-regional service networks through M&A. For instance, bank M&A within the Guangdong-Hong Kong-Macao Greater Bay Area helps open up financial channels between the mainland and Hong Kong and Macao, enhancing the level of regional financial service integration.

Thirdly, emerging markets and fintech have further stimulated the market vitality of cross-border M&A in commercial banks. In emerging markets such as Latin America and Southeast Asia, the rapid development of fintech has attracted international banks to acquire technological capabilities and market share through M&A. For instance, M&A activities in Latin American banks are driven by the demand for digital banking and inclusive finance.¹

1.1.2 Political background: dual influence of geopolitics and policy orientation

Firstly, the intensified competition among major powers and stricter regulatory scrutiny have increased the difficulty of cross-border M&A for commercial banks. Currently, the tensions between China and the United States, coupled with heightened scrutiny on foreign bank M&As in Europe and the United States, have made cross-border bank M&As face more complex political risks and regulatory uncertainties.

Secondly, national strategies promote the development of foreign trade in banks. Countries such as China encourage financial institutions to expand overseas markets through mergers and acquisitions, serving the “Belt and Road” initiative and the “going global” strategy of enterprises². The cross-border M&A of Chinese banks are not only driven by commercial considerations but also serve the goals of national financial diplomacy and the internationalization of the RMB.

Thirdly, regional cooperation mechanisms provide institutional safeguards for cross-border M&A of international commercial banks.

¹ See An-Sing Chen, Hsiang-Hui Chu, Pi-Hsia Hung, Miao-Sih Cheng. ‘Financial risk and acquirers stockholder wealth in mergers and acquisitions’ (2020) 54 North American Journal of Economics and Finance 100815.

² See Li Ling, *Research on the Location Choice of Cross-border Mergers and Acquisitions by Chinese Enterprises* (Shanghai People’s Publishing House 2017). (李凌：《中国企业跨境并购区位选择研究》，上海人民出版社，2017。)

Regional economic cooperation mechanisms such as the Southern African Development Community (SADC) in Africa and the Regional Comprehensive Economic Partnership (RCEP) in the Asia-Pacific region offer policy support and institutional convenience for cross-border M&A of banks, reducing transaction costs and legal barriers.

1.1.3 Legal background: coexistence of regulatory differences and compliance challenges

Firstly, there are significant differences in the regulatory systems for cross-border M&A of international commercial banks among various countries. The legal frameworks for bank M&A vary greatly across different nations. For instance, the European Union emphasizes anti-trust reviews, the United States focuses on national security reviews, while China underscores foreign investment access and financial security reviews.

Secondly, post-merger integration faces legal compliance pressures. After completing M&A, international commercial banks are required to adhere to compliance requirements in various jurisdictions regarding data protection, anti-money laundering, capital adequacy ratios, and other aspects, which increases the difficulty of integration and operational costs.

Thirdly, legal risks have become a significant factor contributing to the failure of mergers and acquisitions. If the legal environment of the target country is not fully assessed, bank M&A may fail due to regulatory vetoes, litigation, or compliance issues. For instance, some European and American banks have been forced to terminate their merger and acquisition transactions due to failure to pass antitrust reviews³.

³ See Amy L. Pablo, Sim B. Sitkin, David B. Jemison. 'Acquisition Decision-Making Processes: The Central Role of Risk' (1986) 22 *Journal of Management* 723.

1.1.4 Future development trends

Firstly, regional bank M&A will become mainstream. With the tightening of global financial supervision, international commercial banks are more inclined to conduct M&A within their respective regions to reduce political and legal risks.

Secondly, M&A in fintech will continue to heat up. With the rise of fintech companies, traditional banks are rapidly acquiring digital capabilities and customer touchpoints through M&A of fintech firms, especially in regions with active technological innovation such as the four major Bay Areas.

Thirdly, a regulatory coordination mechanism will be gradually established. To address legal conflicts and regulatory arbitrage in cross-border M&A, more efficient regulatory coordination mechanisms may be established among regions in the future, such as memorandums of understanding on financial regulatory cooperation between Bay Areas. This book will provide exploratory research on these future development trends.

1.2 Research methods

From the perspective of research methodology, this book primarily employs methods such as questionnaire surveys, literature reviews, case studies, and empirical research to explore the main content of the subject. Specifically, it encompasses the following aspects:

1.2.1 Questionnaire survey

Given the difficulty of conducting a questionnaire survey, this book primarily focuses on the Guangdong-Hong Kong-Macao Greater Bay Area, which is currently under construction. A total of 1,500 ques-

tionnaires were distributed, and 1,003 valid responses were actually collected, encompassing 40 questions. Detailed questionnaire content and feedback results can be found in Annex 2, and specific feedback is stored on the Wenjuanxing platform⁴.

1.2.2 Literature research

This book primarily reviews Chinese, English, and French literature, gaining an understanding of the main theoretical issues and research gaps in the field of commercial bank mergers and acquisitions.

1.2.3 Case study

Relevant research indicates that, in the survey of M&A thematic studies from 1991 to 2015, 93 journal articles employed the case study method. Among them, 66 studied developed markets, 44 adopted the single-case study method, and the remaining 3 used surveys and interviews. However, only a very small number of studies achieved the purpose of business management case studies.⁵ Therefore, case studies hold significant value in M&A research. This book primarily focuses on studying typical business M&A cases that occurred in the four major Bay Area economies over the past two decades, mainly involving the acquisition of Shenzhen Rural Commercial Bank by Singapore's DBS Bank in 2021 and the acquisition of Hong Kong Chong Hing Bank by Guangzhou Yuexiu Group in 2014.

⁴ See <https://www.wjx.cn/>

⁵ See K.S. Reddy. 'The state of case study approach in mergers and acquisitions literature: A bibliometric analysis' (2015) 1 *Future Business Journal* 13.

1.2.4 Empirical research

According to the Orbis M&A database, from January 1, 1997, to April 30, 2024⁶, there were a total of 29,519 cases of cross-border M&A involving international commercial banks globally, with a total of 2,390 cases in the four major Bay Areas. After excluding invalid data and only considering completed transactions, the effective case data amounted to 1,160 cases. SPSS statistical analysis software was utilized for relevant analysis.

1.3 Research innovation

From the perspective of innovativeness, this book is mainly manifested in the following aspects:

1.3.1 Theoretical innovation

This book aims to facilitate the integration of financial geography and cross-border M&A theory. On the one hand, it introduces the perspective of financial geography into the analysis of financial market M&As. Traditional research on bank M&As has mostly focused on the national or corporate level, with less attention paid to the “Bay Area” as a spatial economic unit as an analytical framework. Bay Areas, with their high-density financial resources, technological innovation capabilities, and institutional diversity, provide a unique geo-economic perspective for studying cross-border bank M&As, promoting the integration of financial geography with international financial theory.

⁶ The selection of this time range is based on two reasons: firstly, the data on cross-border mergers and acquisitions (M&A) of banks in the Orbis M&A database can be traced back to January 1, 1997; secondly, the information in the database was exported on April 30, 2024.

On the other hand, this book aims to expand the theory of regional financial integration. By comparing the bank M&A models across the four major Bay Areas, it reveals the differential mechanisms underlying the path of regional financial integration, providing new empirical support for the theory of regional financial cooperation, particularly in terms of institutional differences, market structure, and regulatory coordination.

Finally, this book aims to deepen the theory of institutional embeddedness. Cross-border bank M&A are not only driven by market logic but also deeply influenced by legal, political, and cultural institutional embeddings. The institutional diversity of the Bay Area economies provides a natural experimental setting for studying how institutional embeddedness affects bank M&A decisions and performance.

1.3.2 Methodological innovation

This book aims to establish a multidimensional and interdisciplinary research framework. On the one hand, it employs a cross-regional comparative research approach. The four major Bay Areas exhibit significant differences in terms of economic development stages, maturity of financial systems, and regulatory frameworks. Utilizing a systematic comparative method allows for the identification of similarities and differences in bank M&A models under varying institutional environments, thereby enhancing the external validity of the research. On the other hand, this book adopts a mixed research approach combining quantitative and qualitative methods. It conducts large-sample econometric analysis using the Orbis M&A database, coupled with in-depth policy text analysis of typical cases, to achieve complementary verification of macro trends and micro mechanisms.

1.4 Research value

From the perspective of research value, this book creates value in the following three aspects by studying the cross-border M&A models of international commercial banks in the four major Bay Areas.

1.4.1 To explore the policy guidance of national strategy and regional governance

Firstly, it is imperative to further promote the modernization of financial governance in the Bay Area. By identifying regulatory barriers and institutional frictions in cross-border M&A, a theoretical foundation can be established for the establishment of a cross-border financial regulatory coordination mechanism in the Bay Area, thereby fostering innovation in the regional financial governance system.

Secondly, it provides institutional references for developing countries. The experience of bank M&A in the four major Bay Areas holds significant reference value for the financial integration of emerging economies such as Southeast Asia, Africa, and Latin America, especially in terms of balancing financial openness and financial security.

1.4.2 To provide theoretical references for international commercial bank strategy and risk management

Firstly, it can provide theoretical support for optimizing the path selection of bank internationalization. Different Bay Area banks have exhibited different entry modes, regional preferences, and integration strategies in cross-border M&A, providing practical templates for other banks to formulate internationalization strategies.

Secondly, it enhances the capabilities of M&A integration and compliance. Research can reveal how banks cope with challenges such as

legal differences, cultural conflicts, and regulatory compliance after M&A, helping banks establish a cross-border M&A risk management system and improve the success rate of M&A.

Thirdly, the research presented in this book contributes to identifying new opportunities for M&A in the field of financial technology. In technology innovation hotspots such as the San Francisco Bay Area, banks acquire technological capabilities such as AI risk control, blockchain payments, and digital identity through M&A. The research can reveal the valuation logic and integration path of finance and technology M&A, providing a path reference for the digital transformation of traditional banks.

1.4.3 To fill the academic gap in the field of cross-border M&A of commercial banks

Firstly, research on bank M&A at the Bay Area scale remains unexplored. Current literature primarily focuses on national or single city levels, lacking systematic studies that treat “Bay Area” as an independent analytical unit. This study fills the theoretical gap at this spatial scale.

Secondly, there is a lack of comparative research on the systems of cross-border bank mergers and acquisitions. Existing studies have primarily focused on the European and American markets, lacking a systematic comparison of the institutional differences between Asian Bay Areas (such as Tokyo Bay, Guangdong-Hong Kong-Macao Greater Bay Area) and European and American Bay Areas. This study can promote research on the diversity of the global financial system.

Thirdly, the research on the mechanism of M&A in fintech is still in its infancy. As fintech emerges as a new target for bank mergers and acquisitions, the valuation logic, integration model, and regulatory

response mechanism remain unclear. This study can contribute to the theoretical construction of this emerging field.

1.5 Research framework

This book will focus on the cross-border M&A models of international commercial banks in the four major Bay Areas, encompassing nine chapters. The first part introduces the basic background, methodology, and innovativeness of this study; the second part explains some basic concepts and provides a literature review; the third part introduces some definitions and the basic characteristics of the cross-border M&A models of international commercial banks in the four major Bay Areas; the fourth part explores the main influencing factors of the cross-border M&A models of international commercial banks in the four major Bay Areas through empirical analysis; the fifth part analyzes the main reasons for international commercial banks in Bay Area economies to carry out cross-border M&A through a questionnaire survey on cross-border M&A of commercial banks in the Guangdong-Hong Kong-Macao Greater Bay Area, while comparing relevant situations in other Bay Areas; the sixth part analyzes the main reasons behind these M&A models; the seventh part analyzes potential issues in the future development of the cross-border M&A models of international commercial banks; the eighth part explores policy optimization suggestions to address these potential issues; and the ninth part concludes the book.

Chapter 2

Literature Review

Abstract: This chapter summarizes the existing theories of cross-border M&As of international commercial banks through a literature review, which is carried out in four dimensions, including the types of M&A, the influences on the choice of different M&A, the impacts brought about by different M&A, and the main motivational purposes of different M&A. It distinguishes the differences in diverse types of M&A such as general M&A as well as commercial bank M&A. The summaries in this chapter are not necessarily entirely applicable to cross-border M&A by international commercial banks in the Bay Area economies, but provide a comprehensive perspective on this area.

Key words: Trade liberalization policies; global value chains; bankruptcy risk; moral risk; systemic risk

2.1 The selection factors of the M&A models

2.1.1 M&A legislation

Some studies have shown that the countries targeted by Asian banks for M&As have stricter legal and regulatory rules to ensure that the acquiring bank enjoys a higher equity stake at a lower cost. M&As of Asian banks have helped to increase new loans and capital adequacy ratios. However, the banks are not profitable because of non-performing loans. Most importantly, as part of cross-border transactions, a strong legal and regulatory system allows Asian banks to conduct M&As between countries with different economic systems and to

do business efficiently.⁷ In contrast, studies of the U.S. market have shown that, because of the ambiguity of U.S. legal provisions, banks have a great deal of latitude in how they comply with regulations. And given the variability of U.S. federal and state financial regulation, the implementation of socio-legal mechanisms at one level of the federal regulatory system will be socio-legal mechanisms at another level.⁸

2.1.2 Trade liberalization policies

The 1989 Canada-United States Free Trade Agreement can be seen as a source of exogenous changes in trade barriers, and trade liberalization have led to more than 70 per cent of Canadian domestic M&A activity; but it is also important to note that there is no robust link between tariff reductions and U.S. domestic M&A or cross-border M&A.⁹

2.1.3 Risk factors

Organizational and strategic management scholars have conceptualized acquisitions as a class of decision-making processes. And behavioral conceptions of risk, particularly the risk perceptions and propensities of decision makers, are key to understanding the process of selecting acquisition candidates. The characteristics of pre-acquisition evaluation and negotiation as a key variable in the theory of M&A suggests a number of important values for managers in decision making.¹⁰

⁷ See Yoko Shirasu. 'Long-term strategic effects of M&As in Asia-Pacific banks' (2018) 24 Finance Research Letters 73.

⁸ See Christopher Marquis, Doug Guthrie, Juan Almandoz. 'State activism and the hidden incentives behind bank acquisitions' (2012) 41 Social Science Research 130.

⁹ See Holger Breinlich. 'Trade liberalization and industrial restructuring through M&As' (2008) 76 Journal of International Economics 254.

¹⁰ See Amy L. Pablo, Sim B. Sitkin, David B. Jemison. 'Acquisition Decision-Making Processes: The Central Role of Risk' (1986) 22 Journal of Management 723.

2.1.4 Global value chains

Global value chains (GVCs) are a key feature of economic globalization and have a significant impact on international trade. And studies have shown that GVC participation has a positive and statistically significant impact on the total value of cross-border M&As.¹¹ A study of European M&A data suggests that there is some heterogeneity in the relationship between the overall distribution of acquired ownership shares and M&A in the value chain system.¹²

2.1.5 Source of funds

By examining the debt choices of firms between bank loans, public bonds and private debt before and after M&As, it is found that firms with higher than optimal levels of leverage before M&As tend to take on debt at arms length rather than bank debt; capital adequacy ratios of highly leveraged firms and acquirer performance are negatively correlated with non-banking sectors.¹³ In addition, a sample of 610 M&As that took place between 1991 and 2009 shows that, when deciding on the source of external funding, the acquirers pre-acquisition cash level continues to be important, whereas the characteristics of the target company (nationality, listing status and intention to bid) are more important; for acquisitions made mainly through the issuance of common shares, announcement returns are less favorable.¹⁴

¹¹ See Maria Cipollina, Filomena Pietrovito, Alberto Franco Pozzolo. 'Do cross-border M&As reflect participations into global value chains?' (2004) 44 *The World Economy* 3168.

¹² See Benjamin Furlan, Harald Oberhofer, Hannes Winner. 'A note on merger and acquisition evaluation' (2016) 25 *Industrial and Corporate Change* 447.

¹³ See Steven A. Dennis, Song Wang, Yilei Zhang. 'Debt Issues around Mergers & Acquisitions' (2021) 58 *Research in International Business and Finance* 1.

¹⁴ See Mario Fischer. 'The source of financing in M&As' (2017) 65 *The Quarterly Review of Economics and Finance* 227.

2.1.6 Operating conditions of the banks

The study results of the determinants of bank M&As in the EU-25 over the period 1997-2004 indicate that poorly managed banks (high cost of revenues) and larger banks are more likely to be acquired by other banks in the same country; banks listed on stock markets are more likely to be the target of a cross-border transaction; and banks with higher market concentration are less likely to be acquired by other banks in the same country but more likely to be acquired by other banks in the EU-25. Banks with higher market concentration are less likely to be acquired by other banks in the same country, but more likely to be acquired by other banks in the EU-25.¹⁵

2.1.7 Corporate governance mechanism of the banks

In bank M&A activities, corporate governance mechanisms have a significant impact on the choice of M&A, which is manifested in the conflict between bank owners and management. There is a significant “trench effect” if management ownership is high and shareholder concentration is low, which has a greater impact on the M&A decision, such as whether the M&A is sufficiently beneficial to management, since the returns to M&A are positive in banks with high management ownership and high shareholder concentration.¹⁶

2.1.8 Country of the acquisition target

A study of the microeconomic determinants of cross-border bank M&A in 11 transition economies over the period 1992-2006 shows that

¹⁵ See Tigran Poghosyan, Jakob De Haan. ‘Determinants of domestic and cross-border bank acquisitions in the European Union’ (2009) 33 *Journal of Banking & Finance* 1022.

¹⁶ See Linda Allen, A.Sinan Cebenoyan. ‘Bank acquisitions and ownership structure: Theory and evidence’ (1991) 15 *Journal of Banking & Finance* 425.

when foreign banks enter transition economies with weak institutions, they target relatively large and efficient banks. Some evidences support the “market power” hypothesis. However, when foreign banks enter more developed economies, they acquire less efficient banks, which is consistent with the hypothesis of efficient market.¹⁷

By exploring the determinants of acquisition premiums at the firm and country levels using a sample of global cross-border M&A and a mixed model, the results show that the impact of target bank and target country on acquisition premiums depends on the acquirers home country. Specifically, if the target bank is more efficient, it can provide better functionality or diversification opportunities. And cross-border M&As in emerging countries may not be motivated by strategic capabilities and may be less sensitive to the institutions of the country in which the target firm is located.¹⁸

2.2 The impact of different M&A models

2.2.1 Negative effects

Existing research is inconclusive as to whether M&As contribute to the efficiency and profitability of banks. In the European context, some studies have found a neutral effect of M&As on profitability and cost-efficiency through the effects of M&As in German during the period 1995-2000.¹⁹ In bank M&As, the acquirer does not pay a

¹⁷ See Tigran Poghosyan, Jakob De Haan. ‘Determinants of cross-border bank acquisitions in transition economies’ (2010) 18 *Economics of Transition* 671.

¹⁸ See Canan Yildirim, Mouloud Tensaout, Veronika Belousova. ‘Cross-border M&As by emerging country banks: What do acquisition premiums tell us?’ (2023) 66 *Research in International Business and Finance* 102042.

¹⁹ See Andreas Behr, Frank Heid. ‘The success of bank mergers revisited. An assessment based on a matching strategy’ (2011) 110 *Journal of Empirical Finance* 117.

premium for the accounting performance of the target company.²⁰ In addition, the M&As of DnB Bank and Gjensidige Bank (which ranked first and third respectively in terms of banking market share in Norway) in 2003 showed that there were no significant improvement in the new bank's lending performance after the M&As were finalized, and the impact on lending risk was minimal. This may be due to the efficiency gains resulting from M&As that pass on costs to customers, which are offset by the consequent higher interest rates to the remedies imposed by the Norwegian Competition Authority on both parties to the M&As. Such results are to a large extent inconsistent with the international literature showing the impact of M&As in the banking sector.²¹

2.2.2 Positive effects

A number of studies have shown that the strategic similarity of EU banks has a relatively significant effect on post-merger performance. In general, bank M&As have improved their operating performance. For domestic transactions, the costs of integrating institutions with different lending, profitability, cost, deposit and size strategies are quite high; but for cross-border M&As, differences in the lending and credit risk strategies of the M&A partners are conducive to improving the operating performance of the post-merger bank, while diversity in capital and cost structures negatively affects performance.²² A study of the determinants of M&As of commercial banks in 15 EU coun-

²⁰ See Ken B. Cyree. 'What do bank acquirers value in non-public bank M&As?' (2010) 50 *The Quarterly Review of Economics and Finance* 341.

²¹ See Steffen Juranek, Øivind A Nilsen, Simen A Ulsaker. 'Bank Consolidation, Interest Rates, and Risk: A Post-Merger Analysis Based on Loan-Level Data from the Corporate Sector' (2022) 18 *Journal of Competition Law & Economics* 771.

²² See Yener Altunbas, David Marqu'es. 'M&As and bank performance in Europe: The role of strategic similarities' (2008) 60 *Journal of World Business* 204.