# AI M&A faces rising global scrutiny as regulators target competition and security risks



As artificial intelligence reshapes industries, M&A activity in the AI sector is surging—but so is regulatory scrutiny. Companies looking to secure a competitive edge through acquisitions must now navigate a complex web of global antitrust and national security rules, making early risk assessment critical to deal success.

The regulatory landscape is evolving rapidly. The EU AI Act, which came into force in August 2024 and will be fully enforceable by 2027, sets strict rules on transparency and accountability for AI systems. In the US, a 2025 executive order under the Trump administration and a patchwork of state laws in Utah, Colorado and Texas have created layered AI-specific compliance challenges.

Against this backdrop, AI deals are facing deeper regulatory investigation. Antitrust authorities in the US, Europe and the UK are watching closely for market consolidation risks in a sector increasingly dominated by a handful of players with control over computing power, data and talent. In the US, the Department of Justice is probing Nvidia, while the FTC is examining Microsoft’s investment in OpenAI and its recruitment of staff from Inflection AI.

Attention is not limited to headline acquisitions. Regulators are also scrutinising less obvious deal structures such as acquihires, equity investments and strategic partnerships that provide governance or exclusivity. The UK’s Competition and Markets Authority and Germany’s Federal Cartel Office have both opened and, in some cases, closed investigations into such arrangements, while the US remains active in this space.

Alongside competition concerns, national security is now a major factor in AI M&A. In the US, outbound investment screening under a “reverse CFIUS” framework is restricting capital flow to countries such as China, especially where deals involve sensitive technologies or government data. New policies aim to protect strategic capabilities while streamlining allied investments, but investors must still expect extended timelines and higher compliance costs.

To manage these challenges, firms are adopting smarter deal structures—such as non-controlling investments, contractual limits on data access and carve-outs for sensitive technologies. These tactics are designed to reduce regulatory friction while preserving strategic value.

Policymakers are balancing two imperatives: guarding national and economic security, and ensuring the AI sector remains open to innovation and competition. There is growing debate over whether regulatory fragmentation could hinder the scale needed for advanced AI development, or instead enable more dynamic market entry for emerging players.

For companies and investors, the message is clear: success in AI M&A now demands an integrated legal and strategic approach. Engaging early with antitrust and national security experts is essential to structure deals that can withstand global scrutiny. As the UK seeks to position itself as a leader in AI, it must shape a regulatory environment that balances innovation, security and competitive fairness—ensuring it remains an attractive destination for investment and technological leadership.

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## Bibliography

1. <https://www.jdsupra.com/legalnews/m-a-in-the-ai-era-key-antitrust-and-2487367/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/97b45759-36e0-4f5b-9c6a-ae0580f9a29b> - In June 2024, Jonathan Kanter, the top US antitrust enforcer, announced that the Department of Justice (DoJ) would urgently scrutinise the AI sector due to concerns over monopoly choke points, where a few powerful companies dominate crucial resources like computing power, training data, cloud services, engineering talent, and essential hardware such as GPUs. The DoJ and Federal Trade Commission (FTC) agreed to divide antitrust oversight, with the DoJ focusing on Nvidia and the FTC on Microsoft and OpenAI. This heightened scrutiny aims to prevent dominant tech companies from monopolising emerging AI markets. Recent deals, such as Microsoft's $13 billion investment in OpenAI and Microsoft's hiring of staff from Inflection, are under investigation for compliance with antitrust laws. Microsoft claims its partnerships enhance market competition and denies any wrongdoing.
3. <https://www.skadden.com/insights/publications/2024/06/quarterly-insights/ma-in-the-ai-era-key-deal-terms-to-watch> - As the AI market develops, a surge in mergers and acquisitions (M&A) within the AI ecosystem is anticipated, posing new legal challenges and necessitating AI-specific approaches. AI companies seeking consolidation to achieve synergies and strengthen market positions may face antitrust concerns. Intensified scrutiny from antitrust authorities over existing partnerships, where leading technology companies partner with promising AI startups, is expected. Additionally, the strategic importance of AI technologies to national security is likely to increase government oversight of cross-border transactions. These factors will complicate M&A transactions in the sector, requiring a sophisticated approach to address potential risks and uncertainties.
4. <https://www.aoshearman.com/en/insights/global-trends-in-merger-control-enforcement/stormy-skies-for-tech-deals-as-antitrust-scrutiny-intensifies> - Partnerships between Big Tech firms and AI providers are increasingly becoming targets for antitrust scrutiny. These partnerships often include IP licenses, distribution arrangements, provision of computing infrastructure, and sometimes control, consultation rights, board representation, or exclusivity rights. Authorities are grappling with whether these non-traditional deal structures amount to 'mergers' within the scope of their rules. The UK's Competition and Markets Authority (CMA) is building a body of precedent to help assess merger control risk. Minor voting rights and non-exclusive arrangements are unlikely to trigger CMA jurisdiction, but exclusive supply/distribution agreements or situations where the acquirer has consultation rights may fall within its purview.
5. <https://www.mondaq.com/unitedstates/corporate-and-company-law/1639202/ai-ma-current-trends-and-unique-legal-and-regulatory-considerations> - Competition regulators are closely scrutinising deals in the AI sector, concerned that acquisitions and other agreements by dominant tech firms could stifle competition and innovation. In the U.S., the Federal Trade Commission (FTC) and Department of Justice (DoJ) have signalled that M&A involving AI will face rigorous review, especially if a large 'Big Tech' player is buying a nascent AI competitor. They are also watching for other collaborations that threaten the accumulation of sensitive AI assets, like vast datasets or key talent. Antitrust enforcement against the tech industry has ramped up, with active cases against companies like Google, Amazon, and Meta, reflecting a bipartisan resolve to curb excessive market power. This aggressive posture extends to AI, with the FTC using its investigative authority to gather information on major firms' investments and partnerships in the AI space.
6. <https://www.brookings.edu/articles/antitrust-investigations-have-deep-implications-for-ai-and-national-security/> - The 2018 National Defense Strategy highlights AI's importance, noting that the Pentagon will seek to harness 'rapid application[s] of commercial breakthroughs...to gain competitive military advantages.' With defense officials arguing that U.S. military superiority may hinge on artificial intelligence capabilities, antitrust action aimed at America's largest tech companies—and leading AI innovators—could affect the United States' technological edge. The effects of such action are uncertain. Will a less concentrated tech sector fuel innovation and create openings for new tech companies? Or will reductions to scale hurt leading tech firms' ability to leverage AI innovation? These questions offer a way to think about how antitrust enforcement could impact AI innovation and national security.
7. <https://www.goodwinlaw.com/en/insights/publications/2025/03/insights-technology-antitrust-and-competition-2024-year-in-review> - The swift rise of generative AI and associated foundational models has prompted antitrust agencies worldwide to sharpen their focus on recent M&A and other collaborations in the AI space. Two primary themes have characterised the antitrust discourse: the substance of how partnerships and Big Tech activity in the AI space may influence market power and competition, and jurisdiction—the threshold question of whether agencies can review a particular AI-related deal. In August 2024, the U.S. Department of Justice (DoJ) reportedly launched an antitrust investigation into Nvidia, focusing on allegations that the company was engaging in anticompetitive practices in the AI chip market, where it holds over 80% market share. The DoJ is examining whether Nvidia abuses its dominant position by pressuring customers not to use competitors' products, imposing exclusive purchasing requirements, or tying sales of its chips to other products.